

COVER SHEET

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R	I	E	S																										

(Company's Full Name)

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A	N	G	E		P	L	A	Z	A	,		A	Y	A	L	A		T	R	I	A	N	G	L	E	,		A	Y
A	L	A		A	V	E	N	U	E	,		M	A	K	A	T	I		C	I	T	Y							

(Business Address: No. Street City / Town / Province)

Josephine G. De Asis

Contact Person

(632) 7908-3000

Company Telephone Number

1	2		3	1
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Month Day
Fiscal Year

1	7	-	Q	
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Month Day
Annual Meeting

Secondary License Type, if Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

6	4	1	7
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Total No. Of Stockholders

Total Amount of Borrowings

₱39.9 billion bonds

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

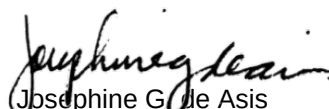
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Certification

I, Josephine G. de Asis, Comptroller, a duly authorized representative of Ayala Corporation (Company) with SEC registration number 34218 with principal office at 32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, do hereby certify and state that:

- 1) In compliance with the guidelines issued by the Securities and Exchange Commission (SEC) for the filing of structured and current reports by publicly listed companies with the SEC in light of the imposition of an Enhanced Community Quarantine and stringent social distancing measures over the entire region of Luzon to prevent the spread of the 2019 Coronavirus Disease (COVID-2019) which continues to be in effect, the Company is timely filing its Q3 2020 SEC Form 17-Q by uploading the same through the PSE EDGE in accordance with the relevant PSE rules and procedures.
- 2) The information contained in Q3 2020 SEC Form 17Q dated November 13, 2020 is **true and correct** to the best of my knowledge.
- 3) On behalf of the Company, I hereby undertake to submit the hard or physical copies of Q3 2020 SEC Form 17Q dated November 13, 2020 with proper certification within the period that may be prescribed by the Markets and Securities Regulation Department of the SEC for such submission.
- 4) I am executing this certification this November 13, 2020 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.


Josephine G. de Asis
Comptroller
Passport No. P0174919B

SEC No. 34218
File No. _____

AYALA CORPORATION

(Company's Full Name)

**32F to 35F, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City**

(Company's Address)

(632) 7908-3000

(Telephone Number)

September 30, 2020

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **September 30, 2020**
2. SEC Identification No.: **34218**
3. BIR Tax Identification No. **000-153-610-000**
4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: **32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City** Postal Code: **1226**
8. Registrant's telephone number: **(632) 7908-3000**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares issued & outstanding As of September 30, 2020
Preferred A	0*
Preferred B Series 1	20,000,000**
Preferred B Series 2	30,000,000
Voting Preferred	200,000,000
Common	627,375,842***

* net of 12,000,000 treasury shares

** net of 8,000,000 treasury shares

*** net of 5,744,854 treasury shares

Amount of debt outstanding as of September 30, 2020: **₱39,903.4 million in bonds******

****amount represents only debt of Ayala Corporation registered with Philippine SEC. The debt of subsidiaries registered with SEC are reported in their respective SEC17Q report.

11. Are any or all of these securities listed in the Philippine Stock Exchange? Yes ☒ No ☐
 As of September 30, 2020, a total of 627,098,147 common shares, 12,000,000 preferred A (ACPA) shares, 28,000,000 preferred B series 1 (ACPB1) shares, and 30,000,000 preferred B series 2 (ACPB2) shares are listed in the Philippine Stock Exchange (PSE). A total of 5,744,854 common shares, 12,000,000 ACPA shares and 8,000,000 ACPB1 shares are held in Treasury by the Parent Company.
12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
 Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

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The unaudited interim condensed consolidated financial statements and other parts of the entire SEC 17Q report as of September 30, 2020 make reference to certain financial information and disclosures in the December 31, 2019 annual audited consolidated financial statements. This SEC17Q report should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2019*.

This SEC17Q report also includes financial and operating data with respect to Ayala's material subsidiaries [Ayala Land, Inc. (ALI), Integrated Micro-Electronics, Inc. (IMI), Manila Water Company, Inc. (MWC) and AC Energy, Inc. (AC Energy)], associate [Bank of the Philippine Islands (BPI)] and joint venture [Globe Telecom, Inc. (Globe)]. This SEC 17Q should be read in conjunction with the financial information and operating highlights of these subsidiaries, associate and joint venture as contained in their respective December 31, 2019 audited financial statements and SEC17A reports and SEC17Q report as of September 30, 2020.**

**The audited consolidated financial reports and SEC 17A report of Ayala Corporation and Subsidiaries as of December 31, 2019 are available at the Parent Company's website www.ayala.com.ph.*

***The audited consolidated financial reports and SEC 17A reports as of December 31, 2019 as well as SEC 17Q report as of September 30, 2020 of the following listed companies under the Group are available in the following websites: ALI www.ayalaland.com.ph, IMI www.global-imi.com, MWC www.manilawater.com, BPI www.bpi.com.ph, and Globe www.globe.com.ph*

PART I FINANCIAL INFORMATION

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PART I FINANCIAL INFORMATION

Section 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2020 (With Comparative Audited Figures as at December 31, 2019)
(Amounts in Thousands)

	September 2020 Unaudited	December 2019 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱ 92,556,744	₱ 93,405,253
Short-term investments (Note 5)	1,627,607	13,387,801
Accounts and notes receivable (Note 6)	142,518,846	130,868,711
Contract assets	2,968,358	3,159,675
Inventories (Note 7)	143,891,753	135,064,303
Other current assets (Note 8)	77,385,703	62,932,994
Assets under PFRS 5 (Note 20)	194,060,239	170,466,694
Total Current Assets	655,009,250	609,285,431
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	52,742,328	55,720,290
Investments in associates and joint ventures (Note 10)	260,351,458	246,731,276
Investment properties (Note 12)	241,628,578	246,732,338
Property, plant and equipment (Note 12)	91,716,357	88,781,755
Right-of-use assets (Note 9)	18,771,905	18,220,572
Service concession assets (Note 13)	1,562,290	1,638,516
Intangible assets (Note 11)	19,005,106	16,625,926
Deferred tax assets - net (Note 11)	13,712,706	14,246,325
Other noncurrent assets (Note 8)	49,537,306	47,303,529
Total Noncurrent Assets	749,028,034	736,000,527
Total Assets	₱ 1,404,037,284	₱ 1,345,285,958
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 16)	₱ 51,212,788	₱ 29,788,643
Accounts payable and accrued expenses (Note 14)	180,450,927	195,416,247
Contract liabilities	177,165	252,341
Income tax payable	1,180,756	2,396,901
Current portion of:		
Long-term debt (Note 16)	27,712,894	23,878,725
Lease liabilities (Note 9)	1,393,806	1,028,067
Service concession obligation (Note 13)	13,606	13,607
Other current liabilities (Note 15)	20,539,025	28,394,709
Liabilities under PFRS 5 (Note 20)	140,303,832	121,487,625
Total Current Liabilities	422,984,799	402,656,865
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	353,225,486	351,670,789
Lease liabilities - net of current portion (Note 9)	22,118,721	21,353,099
Service concession obligation - net of current portion (Note 13)	52,413	52,412
Deferred tax liabilities - net	8,928,065	8,035,817
Pension liabilities	4,045,179	3,756,048
Other noncurrent liabilities (Note 15)	58,396,053	48,447,370
Total Noncurrent Liabilities	446,765,917	433,315,535
Total Liabilities	869,750,716	835,972,400

Equity

Equity attributable to owners of the parent company		
Paid-in capital (Note 17)	85,303,552	84,876,225
Share-based payments	197,005	214,617
Remeasurement losses on defined benefit plans	(3,266,312)	(3,117,329)
Fair value reserve of financial assets at fair value through other comprehensive income (FVOCI)	(767,649)	66,917
Cumulative translation adjustments	(1,084,633)	3,234,618
Equity reserve	30,274,156	25,282,942
Retained earnings (Note 17)	234,281,699	225,454,620
Treasury stock	(6,605,153)	(5,737,896)
Reserves under PFRS 5 (Note 20)	(1,548,305)	(1,467,449)
	336,784,360	328,807,265
Non-controlling interests	197,502,208	180,506,293
Total Equity	534,286,568	509,313,558
Total Liabilities and Equity	₱ 1,404,037,284	₱ 1,345,285,958

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Figures)

	2020		2019	
	July to Sept.	Jan. to Sept.	July to Sept.	Jan. to Sept.
CONTINUING OPERATIONS				
REVENUE (Note 19)				
Sale of goods and rendering of services	₱ 48,514,946	₱ 133,147,417	₱ 63,788,009	₱ 191,477,705
Share in net profits of associates and joint ventures	4,388,519	14,194,586	6,035,610	16,805,555
Interest income from real estate	2,133,000	6,361,069	2,982,000	6,287,731
Dividend income	3,166	60,919	7,785	84,877
	55,039,631	153,763,991	72,813,404	214,655,868
COSTS AND EXPENSES				
Costs of sales and services	37,339,082	98,703,600	48,576,395	141,172,460
General and administrative	7,132,419	21,669,149	7,649,056	21,414,099
	44,471,501	120,372,749	56,225,451	162,586,559
OTHER INCOME (CHARGES)				
Interest income	653,086	2,235,032	588,255	2,229,756
Other income	1,166,560	4,213,763	4,442,868	31,231,447
Interest and other financing charges	(6,928,282)	(20,397,039)	(6,054,490)	(16,345,509)
	(5,108,636)	(13,948,244)	(1,023,367)	17,115,694
INCOME BEFORE INCOME TAX	5,459,494	19,442,998	15,564,586	69,185,003
PROVISION FOR INCOME TAX				
Current	1,300,189	3,865,491	2,416,509	9,475,367
Deferred	(100,774)	229,072	670,117	219,693
	1,199,415	4,094,563	3,086,626	9,695,060
INCOME AFTER INCOME TAX	4,260,079	15,348,435	12,477,960	59,489,943
OPERATIONS OF THE SEGMENT UNDER PFRS 5 (Note 20)				
Net income after tax	1,205,311	1,920,499	1,426,448	4,127,754
NET INCOME	₱ 5,465,390	₱ 17,268,934	₱ 13,904,408	₱ 63,617,697
Net Income Attributable to:				
Owners of the parent	₱ 3,423,633	₱ 11,367,534	₱ 8,324,881	₱ 46,162,417
Non-controlling interests	2,041,757	5,901,400	5,579,527	17,455,280
	₱ 5,465,390	₱ 17,268,934	₱ 13,904,408	₱ 63,617,697
EARNINGS PER SHARE (Note 18)				
Basic	₱ 4.96	₱ 16.63	₱ 12.79	₱ 71.86
Diluted	₱ 4.94	₱ 16.57	₱ 12.74	₱ 71.63
Earnings Per Share Before				
Operations of the Segment Under PFRS 5 (Note 18)				
Basic	₱ 3.77	₱ 14.86	₱ 11.62	₱ 68.56
Diluted	₱ 3.76	₱ 14.80	₱ 11.57	₱ 68.34

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	2020		2019	
	July to Sept.	Jan. to Sept.	July to Sept.	Jan. to Sept.
NET INCOME	₱ 5,465,390	₱ 17,268,934	₱ 13,904,408	₱ 63,617,697
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translations of foreign investments	526,205	(3,156,653)	452,898	(1,870,436)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	(288,857)	(214,096)	5,250	22,485
Changes in fair values of financial assets at FVOCI - net	(1,286,742)	(1,732,144)	(54,756)	(51,458)
	(1,049,394)	(5,102,893)	403,392	(1,899,409)
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translations of foreign investments	(604,425)	(2,220,137)	(162,471)	(374,948)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	297,687	(109,474)	(13,107)	20,694
Changes in fair values of financial assets at FVOCI - net	(458,647)	359,356	(691,608)	342,192
	(765,386)	(1,970,256)	(867,186)	(12,062)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	(1,814,780)	(7,073,149)	(463,794)	(1,911,471)
TOTAL COMPREHENSIVE INCOME	₱ 3,650,610	₱ 10,195,785	₱ 13,440,614	₱ 61,706,226
Total Comprehensive Income Attributable to:				
Owners of the Parent Company	₱ 1,687,674	₱ 5,569,974	₱ 7,996,805	₱ 45,053,952
Non-controlling interests	1,962,936	4,625,811	5,443,809	16,652,274
	₱ 3,650,610	₱ 10,195,785	₱ 13,440,614	₱ 61,706,226

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
	Paid-in Capital	Share-based Payments	Other Comprehensive Income			Cumulative Translation Adjustments	Equity Reserve	Reserves under PFRS 5 (Note 20)	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
			Remeasurement Gains (Losses) on Defined Benefit Plans	Fair Value Reserve of Financial Assets at FVOCI									
	For the Period Ended September 30, 2020 (Unaudited)												
As of January 1, 2020 (Audited)	₱84,876,225	₱ 214,617	₱ (3,117,329)	₱ 66,917	₱ 3,234,618	₱ 25,282,942	₱ (1,467,449)	₱ 225,454,620	₱(5,737,896)	₱ 328,807,265	₱ 180,506,293	₱509,313,558	
Net Income	-	-	-	-	-	-	-	11,367,534	-	11,367,534	5,901,400	17,268,934	
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(109,474)	359,356	(2,220,138)	-	-	-	-	(1,970,256)	-	(1,970,256)	
Other comprehensive income (loss)	-	-	(39,509)	(1,563,656)	(2,224,139)	-	-	-	-	(3,827,304)	(1,275,589)	(5,102,893)	
Reclassification of fair value loss on investment in equity securities of FVOCI	-	-	-	369,734	-	-	-	(369,734)	-	-	-	-	
Reserves under PFRS 5 (Note 20)	-	-	-	-	125,026	(44,170)	(80,856)	-	-	-	-	-	
Total comprehensive income (loss)	-	-	(148,983)	(834,566)	(4,319,251)	(44,170)	(80,856)	10,997,800	-	5,569,974	4,625,811	10,195,785	
Exercise of ESOP/ESOWN	427,327	(17,612)	-	-	-	-	-	-	-	409,715	-	409,715	
Buy-back of common shares	-	-	-	-	-	-	-	-	(867,257)	(867,257)	-	(867,257)	
Cash Dividends	-	-	-	-	-	-	-	(2,170,721)	-	(2,170,721)	(2,252,352)	(4,423,073)	
Change in non-controlling interests	-	-	-	-	-	5,035,384	-	-	-	5,035,384	14,622,456	19,657,840	
At September 30, 2020 (Unaudited)	₱85,303,552	₱ 197,005	₱ (3,266,312)	₱ (767,649)	₱ (1,084,633)	₱ 30,274,156	₱ (1,548,305)	₱ 234,281,699	₱(6,605,153)	₱ 336,784,360	₱ 197,502,208	₱534,286,568	

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY												
	Other Comprehensive Income											
	Paid-in Capital	Share-based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
	For the Period Ended September 30, 2019 (Unaudited)											
As of January 1, 2019, as previously stated	₱83,361,675	₱ 238,871	₱ (1,299,319)	₱ (544,555)	₱ 2,276,669	₱ 10,872,124	₱ 1,087,015	₱ 196,914,989	₱(2,300,000)	₱ 290,607,469	₱ 178,500,886	₱469,108,355
Effect of adoption of new accounting standards	-	-	-	-	-	-	-	(321,554)	-	(321,554)	-	(321,554)
As of January 1, 2019 (Restated, Unaudited)	83,361,675	238,871	(1,299,319)	(544,555)	2,276,669	10,872,124	1,087,015	196,593,435	(2,300,000)	290,285,915	178,500,886	468,786,801
Net Income	-	-	-	-	-	-	-	46,162,417	-	46,162,417	17,455,280	63,617,697
Share in other comprehensive income												
(loss) of associates and joint ventures	-	-	20,694	342,192	(374,948)	-	-	-	-	(12,062)	-	(12,062)
Other comprehensive income (loss)	-	-	4,928	(101,543)	(999,788)	-	-	-	-	(1,096,403)	(803,006)	(1,899,409)
Total comprehensive income (loss)	-	-	25,622	240,649	(1,374,736)	-	-	46,162,417	-	45,053,952	16,652,274	61,706,226
Exercise of ESOP/ESOWN	343,334	(414)	-	-	-	-	-	-	-	342,920	-	342,920
Cost of share-based payments	-	(4,690)	-	-	-	-	-	-	-	(4,690)	-	(4,690)
Acquisition of treasury stocks	-	-	-	-	-	-	-	-	(3,192,319)	(3,192,319)	-	(3,192,319)
Exercise of exchange option	-	-	-	-	-	12,323,299	(1,087,015)	-	-	11,236,284	3,901,950	15,138,234
Cash Dividends	-	-	-	-	-	-	-	(2,603,486)	-	(2,603,486)	(2,963,559)	(5,567,045)
Change in non-controlling interests	-	-	-	-	-	2,468,183	-	-	-	2,468,183	5,885,620	8,353,803
At September 30, 2019 (Unaudited)	₱83,705,009	₱ 233,767	₱ (1,273,697)	₱ (303,906)	₱ 901,933	₱ 25,663,606	₱ -	₱ 240,152,366	₱(5,492,319)	₱ 343,586,759	₱ 201,977,171	₱545,563,930

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Other Comprehensive Income												Non-controlling Interests	Total Equity
	Paid-in Capital	Share- based Payments	Remeasurement Gains (Losses) on Defined Benefit Plans	Fair Value Reserve of Financial Assets at FVOCI	Cumulative Translation Adjustments	Equity Reserve	Equity Conversion Option	Reserves under PFRS 5 (Note 20)	Retained Earnings	Treasury Stock	Total			
For the year ended December 31, 2019 (Audited)														
As of January 1, 2019 (Audited)	₱83,361,675	₱ 238,871	₱ (1,299,319)	₱ (544,555)	₱ 2,276,669	₱ 10,872,124	₱ 1,087,015	₱ -	₱ 196,639,518	₱(2,300,000)	₱ 290,331,998	₱ 178,500,886	₱468,832,884	
Net Income	-	-	-	-	-	-	-	-	35,279,330	-	35,279,330	6,703,000	41,982,330	
Share in other comprehensive income (loss) of associates and joint ventures	-	-	(1,107,730)	596,195	(2,121,987)	-	-	-	-	-	(2,633,522)	-	(2,633,522)	
Other comprehensive income (loss)	-	-	(758,325)	14,804	3,208,842	-	-	-	-	-	2,465,321	(1,762,016)	703,305	
Reserves under PFRS 5	-	-	48,045	473	(128,906)	1,547,837	-	(1,467,449)	-	-	-	-	-	
Total comprehensive income (loss)	-	-	(1,818,010)	611,472	957,949	1,547,837	-	(1,467,449)	35,279,330	-	35,111,129	4,940,984	40,052,113	
Redemption of Preferred B Series 2 shares	-	-	-	-	-	-	-	-	-	(13,500,000)	(13,500,000)	-	(13,500,000)	
Re-issuance of redeemed Preferred B Series 2 shares	-	-	-	-	-	-	-	-	-	13,500,000	13,500,000	-	13,500,000	
Issuance of additional Preferred B Series 2 shares	1,079,931	-	-	-	-	-	-	-	-	300,000	1,379,931	-	1,379,931	
Buy-back of common shares	-	-	-	-	-	-	-	-	-	(3,737,896)	(3,737,896)	-	(3,737,896)	
Exercise of ESOP/ESOWN	434,619	(943)	-	-	-	-	-	-	-	-	433,676	-	433,676	
Cost of share-based payments	-	(23,311)	-	-	-	-	-	-	-	-	(23,311)	-	(23,311)	
Exercise of exchange option	-	-	-	-	-	12,323,299	(1,087,015)	-	-	-	11,236,284	3,901,950	15,138,234	
Cash Dividends	-	-	-	-	-	-	-	-	(6,464,228)	-	(6,464,228)	(5,820,296)	(12,284,524)	
Change in non-controlling interests	-	-	-	-	-	539,682	-	-	-	-	539,682	(1,017,231)	(477,549)	
At December 31, 2019 (Audited)	₱84,876,225	₱ 214,617	₱ (3,117,329)	₱ 66,917	₱ 3,234,618	₱ 25,282,942	₱ -	₱ (1,467,449)	₱ 225,454,620	₱(5,737,896)	₱ 328,807,265	₱ 180,506,293	₱509,313,558	

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	For the Periods Ended September 30	
	2020	2019 *
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱ 19,442,998	₱ 69,185,003
Income before income tax from operations of segment under PFRS 5 (Note 20)	3,697,263	5,838,493
Income before income tax	23,140,261	75,023,496
Adjustments for:		
Interest and other financing charges - net of amount capitalized	22,199,222	17,960,775
Depreciation and amortization	14,904,402	12,950,174
Cost of share-based payments	-	84,966
Impairment loss on remeasurement to fair value less costs to sell (Note 20; Section 2, 2.8)	1,791,785	-
Provision for impairment losses		
Investments in associates and joint ventures (Section 2.8)	907,346	789,783
Receivables (Note 6)	376,089	186,105
Inventory obsolescence (Note 7)	82,844	26,013
Intangibles, PPE and other provisions (Section 2, 2.8)	750,229	-
Mark to market gain on financial assets at fair value through profit or loss (FVPL) and derivatives	(676,534)	(260,842)
Dividend and other investment loss (income)	375,294	(2,268,253)
Gain on sale of:		
Investments	(55,066)	(24,626,549)
Other assets	(91,879)	(195,225)
Interest income	(8,951,049)	(8,887,897)
Share in net profit of associates and joint ventures	(14,287,164)	(17,357,916)
Operating income before changes in operating assets and liabilities	40,465,780	53,424,629
Decrease (increase) in:		
Accounts and notes receivable - trade	(7,297,658)	(51,720,114)
Contract assets	1,115,265	(531,242)
Inventories	(2,496,282)	9,958,077
Service concession asset	(6,275,175)	(6,525,595)
Other current assets	(12,288,167)	31,260,136
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,468,140)	(15,496,461)
Contract liabilities	(68,665)	(75,458)
Net pension liabilities	288,240	(171,891)
Other current liabilities	(13,251,636)	(7,525,396)
Net cash generated from (used in) operations	(10,276,438)	12,596,686
Interest received	8,704,907	7,910,227
Interest paid	(23,088,427)	(18,484,312)
Income tax paid	(6,784,531)	(10,857,874)
Net cash provided by (used in) operating activities	₱ (31,444,489)	₱ (8,835,273)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of financial assets FVOCI	₱ 14,688	₱ 65,660
Sale/redemptions of investments in associates a joint ventures	516,901	31,039,167
Disposals of:		
Property, plant and equipment	314,835	905,866
Investment properties	195,361	-
Maturities of short-term investments	(5,546,843)	4,066,503

Deductions/transfers (additions) to:		
Service concession assets	(2,978)	(13,058)
Investments in associates and joint ventures	(5,337,479)	(4,065,917)
Property, plant and equipment	(8,420,105)	(14,192,126)
Investment properties	(4,890,041)	(27,052,352)
Financial assets at FVTPL (Note 8)	(2,949,587)	61,791
Financial assets at FVOCI (Note 8)	(10,360,013)	(2,423,859)
Accounts and notes receivable - non-trade	(2,680,813)	(3,551,634)
Intangible assets	(1,665,460)	416,603
Dividends received from associates, joint ventures and investments in equity securities	5,519,455	6,538,553
Acquisitions through business combinations - net of cash acquired (Note 3)	(5,381,603)	(3,081,074)
Increase in other noncurrent assets	3,484,564	1,305,177
Net cash used in investing activities	(37,189,118)	(9,980,700)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debt (Note 16)	250,063,952	92,432,194
Payments of short-term and long-term debt (Note 16)	(194,441,620)	(65,085,011)
Buyback of common shares (Note 17)	(867,257)	(3,192,319)
Issuance of common shares (Note 17)	248,803	-
Dividends paid	(8,169,972)	(9,000,299)
Payment of lease liabilities	(1,486,647)	(737,793)
Service concession obligation paid	(817,167)	(308,621)
Collections of subscriptions receivable	167,363	274,677
Cost of issuance/reissuance of shares	(6,451)	(21,414)
Increase (decrease) in:		
Other noncurrent liabilities	9,773,056	19,417,799
Non-controlling interests in consolidated subsidiaries	18,435,241	(5,833,370)
Net cash provided by financing activities	72,899,301	27,945,843
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,265,694	9,129,870
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	102,363,510	60,624,262
CASH AND CASH EQUIVALENTS AT END OF PERIOD **	₱ 106,629,204	₱ 69,754,132

*Certain accounts were reclassified to reflect real estate business' operating activities and to align with the treatment of contract assets and contract liabilities for real estate industry under PFRS 15: receivables ₱84,097 million, other current assets ₱48,333 million, other non-current assets ₱11,207 million, other current liabilities ₱8,630 million and other non-current liabilities ₱15,927 million.

**Includes cash and cash equivalents of assets under PFRS 5.

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporation Information

Ayala Corporation (the Parent Company or Ayala) is the holding company of one of the oldest and largest business groups in the Philippines that traces its history back to the establishment of the Casa Roxas business house in 1834. The Parent Company was incorporated in January 23, 1968, and its Class A Shares and Class B Shares were first listed on the Manila and Makati Stock Exchanges (the predecessors of the PSE) in 1976. In 1997 the Company's Class A and Class B Shares were declassified and unified as Common Shares.

The Parent Company is a limited liability corporation having a renewable term of 50 years. On April 15, 2016 during its annual meeting of stockholders, the stockholders ratified the amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23, 2018. The extension of corporate life was approved by SEC on April 5, 2017.

As of September 30, 2020, the Company is 47.28% owned by Mermac, Inc. and the rest by the public. Mermac, Inc., a private holding company incorporated in the Philippines, is the dominant shareholder of Ayala. Its registered office address and principal place of business is 32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company is organized as a holding company having equity interests in the Ayala Group (the "Group"), one of the largest and most diversified groups in the Philippines. Ayala's business activities are divided into: (a) real estate, (b) financial services, (c) telecommunications, (d) power, (e) water, (f) industrial technologies, (g) infrastructure, (h) healthcare, and (i) education.

Ayala's real estate business is primarily conducted through its subsidiary, Ayala Land, Inc. (Ayala Land or ALI), a diversified real estate company in the Philippines. Its involvement in financial services is through an affiliate, the Bank of the Philippine Islands (BPI), which, together with its subsidiaries (together, the BPI Group), form a universal banking group in the Philippines. Ayala's telecommunications business is carried out through an affiliate, Globe Telecom, Inc. (Globe), a leading telecommunications company in the Philippines. Ayala's investments in the power sector are held under AC Energy, Inc. (AC Energy or ACEI), while its interest in water infrastructure is under Manila Water Company, Inc. (Manila Water or MWC). Its international business in electronics manufacturing services and vehicle distribution and retail are under AC Industrial Technology Holdings Inc. (AC Industrials or ACI), while its investments in transport and logistics infrastructure are housed under AC Infrastructure Holdings Corp. (AC Infra). Its business in healthcare is conducted through Ayala Healthcare Holdings (AC Health). In May 2, 2019, Ayala finalized the merger of its wholly-owned subsidiary AC Education Inc. (AC Education or AEI) to iPeople Inc. (iPeople or IPO), with iPeople as the surviving entity. The merger resulted in Ayala owning a 33.5% stake and House of Investments (HI) a 51.3% stake in iPeople.

Certain members of the Ayala Group, namely ALI, BPI, Globe, MWC, Integrated Micro-Electronics, Inc. (IMI), AyalaLand Logistics Holdings (ALLHC or formerly known as Prime Orion Philippines Inc.(POPI), Cebu Holdings, Inc. (CHI), AC Energy Philippines (ACEN) and ACE Enexor, Inc. (ACEX) are likewise publicly listed corporations. Some of Ayala's subsidiaries and affiliates have holdings in the equity of other subsidiaries and affiliates.

On November 5, 2020, the Parent Company's Audit Committee of the Board of Directors approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of Ayala Corporation and Subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2019 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2019.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 for the following implementation issues of PFRS 15 affecting the real estate industry:

- a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- c. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
- d. Adoption of PIC Q&A No. 2018-14: *PFRS 15 - Accounting for Cancellation of Real Estate Sales*

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRSs) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), and derivative financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and its subsidiaries and are presented in Philippine Peso (₱), and all values are rounded to the nearest thousand pesos (₱000) except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the new PFRS, amended PFRS, improvements to PFRS and interpretations which were adopted beginning January 1, 2020. The nature and the impact of each new standards and interpretations that have been issued but are not yet effective are listed below. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PFRS 7, *Financial Instruments: Disclosures*, PFRS 9, *Financial Instruments*, and PAS 39, *Financial Instruments: Recognition and Measurement*, *Interest Rate Benchmark Reform*

The amendments to PFRS 9 and PAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The Group does not have any interest rate hedge relationships.

- Amendment to PFRS 16, *Leases*, *Covid-19-Related Rent Concessions*

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021.

The amendment, issued on May 28, 2020, is effective June 1, 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements – interim or annual – not yet authorized for issue.

The Group will assess applicable leases and continue to monitor future rent concessions and its impact on the Group's financial position and operations.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

For all these amendments effective January 1, 2020, the Group shall review impact on the existing policies and adopt the provisions of these amendments in applicable transactions of the Group.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts
PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The Group is assessing the quantitative impact of PFRS 17 as of reporting date.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

3. Principles of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries of the Group:

Subsidiaries	Nature of Business	% of Economic Ownership Interest held by the Group			
		September 2020 (Unaudited)		December 2019 (Audited)	
AC Energy, Inc. (AC Energy/ ACEI)	Power	100.0	%	100.0	%
AC Infrastructure Holdings Corporation (AC Infra)	Infrastructure	100.0		100.0	
AC International Finance Limited (ACIFL)*	Investment Holding	100.0		100.0	
AG Counselors Corporation (AGCC)	Consulting Services	100.0		100.0	
AC Industrial Technology Holdings Inc. (AC Industrials/ ACI)	Industrial Technology and Automotive	100.0		100.0	
Ayala Aviation Corporation (AAC)	Air Charter	100.0		100.0	
Ayala Land, Inc. (ALI)	Real Estate and Hotels	44.4		44.5	
AYC Finance Limited (AYCFL)*	Investment Holding	100.0		100.0	
Azalea International Venture Partners Limited (AIVPL)**	Business Process Outsourcing	100.0		100.0	
Ayala Healthcare Holdings, Inc. (AC Health)	Healthcare	100.0		100.0	
Bestfull Holdings Limited (BHL)***	Investment Holding - International	100.0		100.0	
Darong Agricultural and Development Corporation (DADC)	Agriculture	100.0		100.0	
HCX Technology Partners Inc. (HCX)	Technology Services	100.0		100.0	
Integrated Microelectronics, Inc. (IMI)	Industrial Technologies	52.1		52.1	
Manila Water Company, Inc. (MWC)	Water	51.4		51.4	
Michigan Holdings, Inc. (MHI)	Investment Holding	100.0		100.0	
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	100.0		100.0	
Purefoods International Limited (PFIL)**	Investment Holding	100.0		100.0	
Technopark Land, Inc. (TLI)	Real Estate	78.8		78.8	
AC Ventures Holding Corp. (AC Ventures)	Investment Holding	100.0		100.0	

*Incorporated in Cayman Islands

**Incorporated in British Virgin Islands

***Incorporated in Hong Kong

Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company's investments in subsidiaries, associates and joint ventures is the Philippines.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interest.

The following are the highlights of significant transactions of the Parent Company and subsidiaries, part of which affected the Parent Company's investments in its subsidiaries:

COVID – 19 Pandemic

The Group

In compliance with the SEC's notice dated March 12, 2020, mandating publicly listed companies to apprise the investing public on the impact on business operations and measures being undertaken in connection with the COVID-19 pandemic, on March 16, 2020, Ayala informed that it has existing business continuity and crisis management plans in place to mitigate the adverse effect of the COVID-19 pandemic in its business operations.

Ayala has a robust business continuity management system (BCMS), which provides a framework for building organizational resilience with the capability of an effective response that safeguards the interest of its key stakeholders, reputation, brand, and value-creating activities. The BCMS consists of incident and emergency response, business continuity planning, information technology disaster recovery planning, and crisis management which includes a pandemic preparedness plan.

In particular, in view of the COVID-19 situation, Ayala institutionalized social distancing measures to ensure the safety of its workforce while ensuring continuity of its business operations across all its business units. The guidelines follow the recommendations of the Department of Health (DOH), Center for Disease Control, World Health Organization, and other local medical professional societies.

To ensure the health and safety of our workforce, we have put in place policies on alternative work arrangements such as work-from-home and flexible workhours, restrictions on non-essential overseas travel for business and personal reasons, shift to teleconferencing and videoconferencing to minimize in-person business meetings, regular cleaning and disinfection of the workplace, and cancellation of official mass gatherings.

The prolonged pandemic and uncertainty on COVID-19 containment has hurt the country's economy in the first semester of 2020. For Ayala parent company, dividend income from key investees like MWCI, IMI, others declined compared to same period last year (totaling ₱991 million); impairment and remeasurement loss provisions were recognized for certain investments such as MWCI (see Note 20 and Section 2, 2.8) as fair market values declined; plus higher expenses incurred for donations and contributions to support various initiatives in response to the pandemic (totaling ₱141 million, see Section 2.8). Likewise, dividends declared to shareholders for the first semester of the year was lower by ₱432 million as compared to same period last year.

The third quarter of 2020 opened improvement in mobility, business operations, and overall economic activity brought about by the gradual easing of quarantine protocols under and enabled Ayala's subsidiaries to perform better on a quarter-on-quarter basis. The Group's net income in the third quarter more than doubled to ₱3.43 billion compared to the previous quarter, mainly on improved performance of Ayala Land (better activities from moderated GCQ, MECQ) and AC Industrials (normalized plant operations, better factory performance efficiencies); lower loan loss provisions booked by BPI; and healthy data revenues from mobile and home broadband business of Globe.

Aside from the following discussion, you may refer to the disclosures of our publicly listed business units ALI, BPI, Globe, MWC, ACEN, IMI, and IPO for a report on the impact of the COVID-19 situation in their respective business operations.

ALI

On March 16, 2020, in compliance with the above SEC notice, ALI disclosed to the public the measures it has undertaken to manage the risk of COVID-19. It shared that it has an existing crisis management plan and primary operating measures established in the areas of: (1) Employee Health and Safety, (2) Public Health and Safety, and (3) Business Continuity.

Consequent to the imposition of continued community quarantine has resulted in lower year 2020 financial performance of ALI Group. Its business operations suffered in almost all segments: Property development revenues were down as a result of limited selling activities and the suspension of construction activities of residential projects. Shopping center revenues dropped due to mall closures and lower foot traffic upon reopening. Hotels and resorts revenues dipped caused by the temporary closure of resorts, travel bans, and limited operation of hotels in accordance with quarantine limitations. Its international business through MCT Bhd in Malaysia recognized lower sales and halted construction activities following the Malaysian government's movement control order (MCO) in response to COVID-19. Lastly, property management and other services' revenues were lower due to restricted construction activities coupled with limited operations and AirSWIFT flight cancellations.

In the third quarter, with government restrictions started to ease, ALI registered a 73% improvement in revenues from the second quarter while net income reached ₱1.8 billion, a substantial advancement of almost nine-fold compared to only ₱197 million in the second quarter. The improving economic activities encouraged ALI to pursue the AREIT IPO and bonds offer – both of which were oversubscribed.

The ALI Group will continue to monitor impact of the pandemic in its financial position taking into account the slowdown in residential sales, the rent concessions provided to mall tenants, as well as the significantly lower occupancy in hotels and resorts. Also, ALI will continue to assess impact on

receivables collection specially for leases of mentioned mall tenants (see Note 6). Moreover, ALI will continue to manage cost of debt and stretch maturities and mix to strengthen its funding capability.

MWCI

With the pandemic's impact on the communities which the MWC Group serves, numerous contingency measures have been undertaken to ensure business continuity and to safeguard the health and safety of employees and customers. With the onset of the enhanced community quarantine (ECQ), the MWCI has put in place business contingency measures to ensure that critical facilities and business centers remain operational to provide reliable service to our customers. For health and safety, it suspended meter reading activities in our service areas for the duration of the community quarantine. Equally important, to assist customers amid the quarantine period, the MWC has deferred the due date of customer bills, no disconnections for a certain period and offered deferred payment. For employees, during community quarantine, only essential technical and business operations employees are deployed at the facilities. Deployed employees are provided the necessary protection (protective gear and disinfection of facilities) and support to ensure their safety. Also, significant preparations are being made for the safe and effective re-integration of employees upon the lifting of the community quarantine.

In May 2020, MWSS-RO announced that East Zone and West Zone customers that there would be no disconnections during the ECQ period and that grace periods and installments for ECQ bills have been implemented to provide economic relief to customers. Read and bill operations resumed on May 16, 2020.

Also in May 2020, MWSS-RO released Frequently Asked Questions (FAQs) that indicated that non-lifeline accounts or those with consumption exceeding ten (10) cubic meters in a month may settle their bills not later than July 31, 2020 while lifeline accounts or those who consume ten (10) cubic meter or less in a month may pay their water bills until August 31, 2020. Bills, whose due date falls within the ECQ period, can be settled on an installment basis.

On July 30, 2020, the MWSS BOT directed MWC and Maynilad to grant all residential customers a grace period of at least until the end of the third quarter of 2020 to settle their ECQ and Modified ECQ (MECQ) water bills. In addition, during this period, both MWC and Maynilad are to suspend water service disconnection activities, resolve billing inquiries and complaints, and provide customers ample time to update payments for accumulated water bills.

The MWSS BOT directive was initiated on the basis of humanitarian and public health considerations; and with the intention of providing further economic relief to customers, in addition to the staggered and installment payment schemes currently in effect for ECQ and MECQ water bills.

On September 30, 2020, the MWSS RO, solidarity with the spirit and intentions of the Bayanihan to Recover as One Act (Bayanihan 2), directed the MWC and Maynilad to:

- i. grant all customers a thirty (30)-day grace period to settle their water bills that fall due within the ECQ and MECQ periods; and
- ii. implement a three (3)-month installment scheme for all cooperatives; micro, small and medium enterprises (MSMEs); and domestic customers after the grace period.

The said directives would provide customers ample time to update payments for water bills that fell due within the August 4 to 18, 2020 MECQ period without incurring interests, penalties and other charges.

As of September 30, 2020, the key impact of the pandemic on the MWCI's financials operations and financial position was the increase in customer receivables as a result of extended credit terms under ECQ and GCQ discussed above as well as the negative impact on revenues of Boracay Water which was affected by the drop in tourist arrivals.

MWCI is continuously evaluating potential impact of the pandemic to its financial assets including assumptions in the calculation of the expected credit loss (see Note 6) for financial assets and impairment testing for goodwill and other nonfinancial assets.

IMI

In January 2020, the outbreak of Coronavirus Disease 2019 (COVID-19) in China caused delayed resumptions of work in all China manufacturing facilities in conformance with local government notices.

Starting March 17, 2020 IMI is implementing a partial shutdown of its facilities in the region, in line with the government's imposition of a Luzon-wide Enhanced Community Quarantine (ECQ) and Stringent Social Distancing Measures from March 17, 2020 to April 13, 2020,

Given the Philippine government's approval for export-oriented companies to remain operational, IMI is collaborating with units in the local and national levels to explore the ability to maintain the appropriate production levels within its factories. Currently, IMI has been deploying a skeletal workforce to support critical business operations in Luzon.

In the international front, IMI China's operations has improved in the month of March with substantial workforce capacity ranging from 85% - 98%. This covers the manufacturing plants in Pingshan, Kuichong, Jiaying, Chengdu and Suzhou. IMI is also working with China local governments on possible incentives to support the business.

In April 2020, IMI Group announced the shutdown of nonessential activities in IMI Mexico from April 1 to May 30, 2020. IMI Mexico, which contributes approximately 13% to IMI's global revenue, has suspended regular operations in its Guadalajara facilities in line with local directives.

IMI Philippines, PSi and STI Cebu also remain to be on partial operations until May 15, 2020 in line with the ECQ imposed by the Philippine government.

Skeletal workforce remains to be deployed to support critical business operations in the abovementioned facilities. The company continues to prioritize the health, safety, and welfare of its employees and will abide by all government mandated guidelines.

Facilities in the Philippines, China, and Mexico all adhered to government mandated lockdowns to contain the spread of COVID-19. The global situation led to reduction in top line sales. While some operating regions faced mandatory lockdowns, operating sites in Bulgaria and Czech Republic aligned with the demand slowdown of OEM customers by exercising voluntary reduced work schedules. As the automotive market outlook remains weak in the short term, IMI's wide product portfolio has captured the increased demand from the consumer, industrial, medical, and telecom sectors. STI also faced continued demand slowdown as government pandemic response programs are prioritized over aerospace and defense projects.

As the third quarter ensued, IMI booked US\$312 million of revenues as operations normalized across all manufacturing facilities. IMI achieved 42% quarter-on-quarter growth, exceeding pre-pandemic revenue levels with a 3% improvement versus Q3 2019. IMI's wholly owned businesses improved to US\$239 million of revenues, a 30% increase from the first semester average. As US-China trade tensions slowed down the strong performance of the telecom sector in the first half, the return of automotive and industrial demand compensated for the decline. IMI also continues to gain business in the medical sector as demand for healthcare solutions rises. Via Optronics and STI, Ltd. continue their strong performance, buoyed by demand from segments that establish support for the new normal: consumer mobile devices for study-from-home and work-from-home arrangements, along with ventilators and other medical products as countries continue the fight against COVID-19. These encouraging factors also pushed its subsidiary Via for fund sourcing through IPO.

IMI Group will monitor the developments of the COVID-19 situation closely and continue to assess its impact on the 2020 financial position and performance of the IMI Group.

AC Energy

Meanwhile, Ayala's AC Energy Group develops, and operates several power projects in the Philippines and around the region using various technologies. It also participates in the Philippine wholesale electricity spot market (WESM) to the extent of uncontracted capacity that has to be bought from or sold to the spot market. WESM prices are dependent on the balance of power supply and demand. Restrictions on travel and businesses resulting from COVID-19 pandemic may adversely affect electricity consumption and may result in lower WESM prices. Further, AC Energy relies on imported

fuel and equipment for some of its power projects. Strict quarantine measures imposed locally or abroad may result in delays in importation of such equipment and fuel. For its commercial operations, AC Energy: (a) maintains a balanced supply and demand portfolio to minimize merchant risk, and (b) maintains adequate fuel inventories to ensure continued operations. It also has catch-up plans in case of construction delays and liquidated delay damages are expected from contractors for such situations. For its international business, AC Energy has mandated to limit travel plans and has implemented a self-quarantine protocol and remote work arrangements following Ayala's overall preventive measures. The same principle is applied to those deployed outside the Philippines (in Vietnam, Myanmar, and Singapore). As a consequence of community quarantine, the Group had deferred collection of outstanding trade receivables with the implementation of Energy Regulatory Commission's memorandum on providing installment payment options to customers in relation to the pandemic. The Group has taken measures to manage the risks and uncertainties brought about by the pandemic and will continue to closely monitor the situation to assess its impact on the 2020 financial position

AC Health

On the other hand, Ayala's wholly owned subsidiary AC Health continues to operate to provide healthcare services to the public and support the government in its efforts to contain the spread of COVID-19. With over 80 in combined clinic network in the Greater Metro Manila Area, FamilyDOC, Healthway and Qualimed continue to provide doctor consultations and basic diagnostics to patients. For suspected COVID-19 cases, FamilyDOC, Healthway and Qualimed strictly adhere to DOH guidelines and clinical protocols and where needed, refer patients to appropriate hospitals for further testing and management. AC Health's healthcare professionals are also equipped with the necessary protective equipment to ensure their safety. Recently, with support from AC Parent Company, AC Health embarked on initiatives to establish more testing centers outside of greater Metro Manila like in Cebu City by collaborating with University of Cebu Medical Center and Topical Disease Foundation.

In addition, Generika's over 800 branches will remain open to ensure access to quality affordable generic medicines, including wellness supplements for preventive care. AC Health's partner pharmaceutical importation and distribution companies, IE Medica and MedEthix, continue to source medicines and supplies, including face masks, to ensure availability at its pharmacies and clinics.

Also, AC Health donated cash and equipment to Qualimed network for the purpose of converting Qualimed Sta. Rosa into a dedicated COVID-referral hospital as well as forming PCR laboratories in Qualimed Sta. Rosa, Bulacan, Tanauan and Iloilo.

In addition, AC Health together with AC, AC Energy, ALI, BPI, BPI Foundation, MWC, Globe, ALI and AC Industrials Group repurposed Nuvali Visitor Center to become the Ayala Group Employee Care Center (AGECC) facility to serve as a staff house and/or isolation center for Ayala Group employees and qualified dependents who are asymptomatic suspect, probable and confirmed cases of COVID-19.

AC Infra

With ECQ and GCQ came the mandated suspension of LRT-1 operations and limited capacity in trains beginning June 2020 resulting in significant decline in average daily ridership. For June and July, LRMCC was operating at a strict capacity limit of 13%. August ridership improved slowly as Metro Manila reverted to MECQ. As of September 2020, the average daily ridership of 223,251 is 50% lower year-on-year.

The gradual easing of community quarantines in third quarter 2020 uplifted the ridership where LRMCC has started operating at 30% capacity.

Meantime, due to the restrictions on construction LRT Cavite Extension ROW 1 completion will be delayed; now expected for Q4 2023 from previous estimate of Q4 2022.

Parent Company

- a) On various dates in January to September 2020, the Parent Company made a capital infusion to: AC Industrials amounting to ₱345.6 million to support its investments and automotive business unit's operations; AC Health amounting to ₱2,487.0 million mainly to support new businesses (see AC Health portion [b]); AC Infra (₱979.0 million), AC Ventures (₱225.0 million) and AAC (₱126.0 million) to fund various investments and expenditures.

On April 17, 2020, the Parent Company made capital infusion to AC Health amounting to ₱165 million (part of the infusion mentioned above) as part of Ayala Group's commitment to combat Covid19. The funding was used in a joint project with the Mercado Group to convert the Qualimed Hospital in Sta. Rosa, Laguna to a dedicated COVID-19 hospital and facility.

- b) On March 12, 2020, the Parent Company's BOD approved an additional funding of up to ₱600.0 million to fund investment of AC Infra in Entrego Fulfillment Solutions, Inc. (Entrego). This funding is part of the infusion mentioned above.
- c) On March 12, 2020, the Parent Company's BOD approved the consolidation of ACEI's international and Philippine assets under an asset-for-share swap of ACEN shares to Presage shares (common and redeemable preferred shares) subject to certain conditions and terms. This will result in transfer of direct ownership of Presage from ACEI to ACEN. Certain renewables assets and business of ACEI are under Presage.
- d) In April 2020, Ayala Parent Company announced that it is consolidating its energy, water and transport and logistics businesses under a holding company to create a sizeable and agile platform that would boost its foothold within the country's physical infrastructure space. The integrated infrastructure platform will house the Parent Company's stake in two listed companies, ACEN and MWC and its unlisted unit AC Infra. Ayala will use its wholly owned subsidiary ACEI as the vehicle for the consolidated entity, which will be renamed to AC Energy and Infrastructure Corporation. The consolidation of Ayala's various infrastructure interests creates a formidable platform with a strong balance sheet and allows Ayala to participate in the many opportunities in infrastructure development in a more significant way. This consolidation of business units also makes way for an integrated strategy and center of excellence across Ayala's portfolio.

The final structure, including the businesses to be transferred, and completion of the consolidation shall be subject to internal corporate approvals, legal and other regulatory approvals, among others.

To commence with the restructuring, on October 1, 2020, AC Energy's BOD approved the consolidation of the water and logistics businesses of Ayala under AC Energy, Inc. Also on the same date, AC Energy's BOD approved the creation of a wholly owned subsidiary corporation that will hold the logistics investments and businesses of Ayala to be registered with SEC under the corporate name "AC Logistics".

- e) On May 13, 2020, the Company reported its net income in the first quarter declined in 17 percent to ₱6.7 billion as the Covid-19 health crisis affected the performance of most of its business units.

On August 13, 2020, the Company reported that its net income in the first-half of the year declined 79 percent to ₱7.9 billion mainly as a combined effect of BPI's aggressive loan loss provisions in the second quarter, ALI's limited construction activities and mall operations since the start of the quarantine period in mid-March, and the base effect of divestment gains in power and education booked in the same period last year.

ALI

- a) On January 21, 2020, ALI clarified news about the U.P.-Ayala Land Technohub development lease arrangement with the University of the Philippines (UP). UP will receive a total value of ₱171 per square meter, per month. This was derived from ₱4.23 billion in lease payments and a ₱6 billion investment for 16 commercial buildings, for a total amount of ₱10.23 billion, over the life of the 25-year contract. After 2033, UP as owner, will receive 100% of the buildings' rent. UP also continues to own the land which has appreciated in value since the start of the UP-ALI partnership.

- b) On February 20, 2020, the BOD also approved the increase of additional ₱25 billion to ALI's current share buyback program bringing the available balance to ₱26.1 billion. The program will be implemented through open market purchases executed via the trading facilities of the Philippine Stock Exchange.

The BOD also approved the declaration of cash dividends amounting to ₱0.268 per outstanding common share. This reflects a 3% increase from the cash dividends declared in the first half of 2019 amounting to ₱0.26 per share. The cash dividend was paid on March 20, 2020 to shareholders on record as of March 6, 2020.

On May 26, 2020, the BOD during its meeting approved the declaration of cash dividends of P0.00474786 per outstanding preferred share. The cash dividend was paid on June 25, 2020 to stockholders of preferred shares as of record date Jun 9, 2020.

- c) On various dates in February to March 2020, ALI purchased a total of 4,412,000 common shares at an average price of ₱35.67/share for a total consideration of ₱156.4 million, pursuant to its share buyback program.
- d) Swift Aerodrome Services, Inc. was incorporated in January 20, 2020 and is 100% owned by ALI Capital Corporation (ALICAP), a wholly owned subsidiary of ALI. The company was organized primarily to manage and operate airports owned by ALI.

Altaraza Development Corporation was incorporated on May 27, 2020 and is 51% owned by ALI and 49% owned by Gregorio Araneta, Inc. and Araza Resources, Inc. (Araneta Group). The company was organized primarily to acquire and develop or hold land for investments in Altaraza Estate in Bulacan.

- e) On February 7, 2020, ALI's subsidiary, AREIT, Inc. (AREIT) (formerly One Dela Rosa Property Development, Inc.), filed its application for a REIT offering to the SEC, following the release of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9856, or the Real Estate Investment Trust Act of 2009 last January 20, 2020.

ALI seeks to do an Initial Public Offering (IPO) of AREIT after receiving the regulatory approvals from the SEC and PSE.

On July 10, 2020, the SEC issued its pre-effective approval of AREIT registration for a Real Estate Investment Trust (REIT) Initial Public Offering (IPO) with an offer of up to ₱15 billion. The base offer is up to 456,883,000 common shares at an offer price of up to ₱30.05 per share, with a stabilization option of up to 45,688,700 common shares (collectively, the "Offer Shares"). In total, this represents up to 49% of AREIT's capital stock.

On July 15, 2020, the PSE approved AREIT's ₱15 billion IPO, enabling the company to issue and list common shares through a REIT IPO of up to ₱15 billion, following the recent pre-effective approval issued by the SEC. With clearances from the SEC and the PSE secured, AREIT conducted the following key activities:

- Pricing Date July 22, 2020
- Start of Offer Period July 27, 2020, 9:00 a.m., Manila time
- End of Offer Period August 3, 2020, 12:00 noon, Manila time

On July 22, 2020, AREIT set the final offer price for its IPO. AREIT was listed in the PSE on August 13, 2020.

Offer Price	₱27 per share
Gross Proceeds	₱12bn

The ₱12,335,841,000 billion IPO will launch the first real estate investment trust company in the country following the issuance of the REIT Act in 2009. AREIT intends to use the net proceeds from the primary offer to fund the intended acquisition of Teleperformance Cebu from ALO Prime Realty Corporation, a wholly-owned subsidiary of AREIT's sponsor, ALI, or an alternative property

from ALI, or any of its subsidiaries or affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and AREIT's financial and strategic investment criteria.

The net proceeds from the secondary offer shall be reinvested by ALI, as sponsor to AREIT, in real estate projects located in the Philippines within a period of one (1) year from receipt thereof, consistent with applicable rules and regulations.

On August 3, 2020, AREIT, the first Philippine REIT, officially completed the offer period for its IPO of up to 456,883,000 common shares (the "Firm Offer"), consisting of 47,864,000 common shares to be issued by AREIT on a primary basis, and 409,019,000 existing common shares offered by the Sponsor, ALI, pursuant to a secondary offer, with an over-allotment option of up to 45,688,700 shares, at a price of ₱27.00 per share.

Of the Firm Offer, 319,818,100 shares (or approximately 70%) were offered to qualified institutional buyers (QIBs) (i) based in the Philippines, and (ii) located outside the United States in accordance with Regulation S. Meanwhile, 137,064,900 shares (or approximately 30% of the Offer) were offered to all REIT-eligible trading participants (TPs) of the PSE and to local small investors (LSIs). The total offer made available to TPs and LSIs were 91,376,600 and 45,688,300 shares, or approximately 20% and 10% of the Firm Offer, respectively.

The landmark deal and the introduction of the new asset class was well-received by the market, with the deal more than fully covered with broad distribution across retail investors as well as international and domestic institutional investors. The Firm Offer was 2x oversubscribed. High-quality domestic and international institutional investors locked-in demand for the Philippines' first REIT notwithstanding the continuing COVID-19 global pandemic. In addition, the TP tranche was also oversubscribed with the participation of 96 eligible Trading Participants. More than 3,300 investors participated in the Offer via the LSI tranche.

AREIT was incorporated in September 4, 2006. As of September 30, 2020, AREIT is 44.58% owned by ALI, 9.85% owned by AyalaLand Offices, Inc. (ALOI), a wholly-owned entity of ALI, and 45.57% by public after it was listed in the PSE on August 13, 2020. Effectively, ALI's ownership was reduced from 100.00% to 54.43% as a result of public offering. AREIT was organized primarily as a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations and other applicable laws.

On August 13, 2020, ALI's sold through a public listing its 49.00 % effective noncontrolling interest in AREIT, Inc. at ₱27/share. Subsequently during a one-month stabilization process, BPI Capital Corporation acquired a 3.43% interest in AREIT at an average price of ₱26/share and redelivered this to ALI, increasing its effective ownership back to 54.43%. ALI's net equity reserve from the sale and buy-back transactions aggregated to ₱7.7 billion out of the ₱12.3 billion net proceeds from public offering (see Note 17).

- f) On August 17, 2020, the BOD approved the ALI's 2020 stock option program pursuant to the company's Employee Stock Ownership Plan (the Plan), covering up to 20,989,000 common shares at a subscription price of ₱27.72 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 15-day trading as of August 14, 2020, less 15% discount.

On September 28, 2020, 169 stock option grantees subscribed to 14,845,498 common shares at ₱27.72 per share and became effective on the same day. As a result of the subscription of the 169 stock option grantees, the number of ALI outstanding common shares increased to 14,730,395,599.

- g) The fair value of ALI shares held by the Parent Company amounted to ₱194.4 billion and ₱297.8 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. The voting rights held by the Group in ALI as of September 30, 2020 and December 31, 2019 is equal to 67.3%.

MWC

- a) On January 29, 2020, MWC received a response letter from the MWSS RO confirming that the twenty-five (25)-year Concession Agreement from 1997 to 2022 and the Memorandum of Agreement and Confirmation between MWC and MWSS providing for the fifteen (15)-year extension from 2022 to 2037 have not yet been cancelled.
- b) On January 31, 2020, the BOD approved the amendment of the Seventh Article of the Articles of Incorporation to increase the authorized capital stock from ₱3.5 billion to ₱4.4 billion, which increase will consist of an additional 900.0 million common shares. The BOD also approved the increase in the carved-out shares from 300.0 million to 900.0 million unissued common shares and to allow the issuance of the carved-out shares “for cash, properties or assets to carry out” the corporate purposes” of MWC as approved by the BOD. Both the increase in authorized capital stock and the increase in the carved-out shares were ratified at the annual stockholders’ meeting on April 17, 2020.
- c) On February 1, 2020, MWC and Prime Metroline Holdings, Inc., on behalf of a company to be incorporated [to be named Trident Water Company Holdings, Inc. (Trident Water)], signed a subscription agreement for the acquisition of 820.0 million common shares (equivalent to 24.96% economic rights) of MWC at ₱13.00 per share.

On February 6, 2020, the Parent Company, as part of the shareholder agreement to be executed among itself, its wholly owned subsidiary Philwater and Trident Water, Ayala’s Executive Committee approved the grant of proxy rights by Philwater to Trident Water over its 4.0 billion preferred shares to enable the latter to achieve 51.0% voting interest in MWC, subject to the fulfillment of the conditions set forth in the subscription agreement. Upon the grant of proxy rights to Trident Water, the Parent Company’s effective voting interest in MWC will stand at 31.60%. This arrangement aims to strategically rationalize the economic and voting stakes between the Parent Company and Trident Water as strategic partners in MWC.

On February 7, 2020, MWC received a letter from Prime Metroline Holdings, Inc. that it has announced through publication in a newspaper of general circulation, its intention to make a mandatory offer for the shares of MWC at an offer price of ₱13.00 per share.

The subscription agreement will become effective after certain conditions precedent are met, including relevant third-party consents and regulatory approvals.

On February 11, 2020, the Parent Company clarified that the shareholders agreement related to the subscription of shares of MWC by Trident Water will take effect after the closing of the subscription agreement, which will be after the annual stockholders’ meeting of MWC on April 17, 2020 and after regulatory approvals have been obtained. This includes the SEC’s approval of the denial of pre-emptive rights with respect to the issuance of shares to Trident Water. The closing of the subscription agreement is conditioned on the continuing effectivity of MWC’s material contracts.

The signing of the subscription agreement, as well as the approvals secured from shareholders at the annual stockholders’ meeting for the increase in capital stock and carved-out shares, are components of a series of events. There are still other conditions precedent and approvals which are worked on by both parties and remain in progress. Notably, the parties have submitted necessary information and documentary requirements to the SEC and the Philippine Competition Commission (PCC).

On July 2, 2020, the MWC received formal notice from the SEC approving several key amendments to the MWC’s Amended Articles of Incorporation. Particularly, these amendments are (1) to increase the carved-out shares from 300.0 million unissued common shares to 900.0 million unissued common shares allocated for issuance in one or more transactions or offerings for cash, properties, or assets to carry out MWC’s corporate purposes as approved by the BOD; and (2) to allow the issuance of the carved-out shares “for cash, properties, or assets to carry out” the corporate purposes of MWC as approved by the BOD. Carved-out shares are common shares which are waived of shareholders’ pre-emptive rights and are earmarked for specific corporate purposes.

On August 25, 2020, MWC received a copy of the resolution from PCC, indicating that the PCC will take no further action with respect to the transaction, Trident Water's acquisition of 51% voting interest in MWC. Specifically, it was deemed that the proposed acquisition of Trident Water of shares in MWC will not likely result in substantial lessening of competition.

As previously disclosed, Trident Water will acquire a 25% stake in MWC, with Ayala remaining as a shareholder with a 38.6% stake. Further, as part of the shareholder agreement to be executed among Ayala, its wholly owned subsidiary Philwater and Trident Water, Ayala's Executive Committee has approved the grant of proxy rights by Philwater to Trident Water over such number of preferred shares to enable the latter to achieve 51% voting interest in MWC. Upon the grant of proxy rights to Trident Water, Ayala's effective voting interest in MWC will stand at 31.6%.

To date, the conditions precedent to the Subscription Agreement between Manila Water and Prime Metroline Holdings, Inc. are still being fulfilled by the parties. These include completion of the due diligence, relevant third party consents and regulatory approvals.

- d) On February 3, 2020, MW Consortium and the Provincial Government of Cebu (PGC) signed the Terms of Reference for the interim protocol between both parties pending Settlement with Finality of the Dispute between MW Consortium and PGC. As of the date of the approval of this report, the parties are still engaged in negotiations towards the settlement of the dispute.
- e) Tagum Water received a Notice of Award for the Construction of Well 3 and 4 amounting to ₱27.00 million dated January 9, 2020, Notice of Award for the Construction of Artificial Recharge amounting to ₱75.00 million dated February 21, 2020, and Notice of Award for the Interim Wells Generator sets amounting to ₱11.00 million last March 29, 2020.
- f) On March 16, 2020, Ilagan Water signed and executed a BWSPA and SMA with the City of Ilagan Water District (CIWD), for the supply of bulk water and septage management to CIWD for a period of twenty-three (23) years and twenty-two (22) years from the Operation Start Date, respectively.

As of September 30, 2020, Ilagan Water's BWSPA and SMA did not have any impact on the MWC's financial position and operations since Ilagan Water has yet to commence any activities in relation to these agreements.

- g) On March 4, 2020, San Jose Water District and Manila Water Philippine Ventures signed a Joint Venture Agreement for the design, construction, rehabilitation, maintenance, operation, financing, expansion and management of the water supply and sanitation facilities and services of San Jose Water District.
- h) Effective April 1, 2020, a Foreign Currency Differential Adjustment (FCDA) of ₱0.48 per cubic meter was implemented on the water rates of East Zone customers. This adjustment was based on the exchange rate of USD1.00 to ₱50.767 and JPY1.00 to ₱0.465. The FCDA of the water bill will be adjusted to 1.69% of the 2020 average basic charge of ₱28.52 per cubic meter.
- i) On April 3, 2020, Zamboanga Water Company, Inc. (Zamboanga Water) received a letter, dated April 1, 2020, from the Zamboanga City Water District (ZCWD), requesting for the termination of the Non-Revenue Water Reduction Service Agreement (NRWRSAs). In its letter, ZCWD indicated that the erratic supply of water due to the recurrent dry spell and El Niño phenomenon affecting the District Metered Areas (DMAs) established by Zamboanga Water has rendered the NRWRSAs impractical and unworkable, and thus, in the interest of fiscal responsibility and sound management of government funds, ZCWD requested for the termination of the NRWRSAs.

On April 30, 2020, Zamboanga Water approved the termination of the NRWRSAs. Such termination, however, is without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRWRSAs.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRWRSAs.

- j) On July 15, 2020, Calbayog Water Company, Inc. (Calbayog Water) and Tubig Pilipinas Group, Inc. (TPGI) entered into a Stakeholder Management Agreement, where TPGI agrees to provide support to the Operations Management/ Stakeholder Management of Calbayog Water.

On the same date, Calbayog Water and TPGI entered into a Subscription Agreement whereas TPGI agreed to subscribe to Calbayog Water's shares at a subscription price of ₱1.00 per share for a total subscription of ₱49.17 million, payable in tranches up to 2022.

- k) On August 4, 2020, the BOD of Manila Water Philippine Ventures, Inc. (MWPVI) approved the assignment of the Lease Agreement for the Operation and Management of the Water and Used Water Facilities of the Philippine Economic Zone Authority in the Cavite Economic Zone (CEZ) from MWPVI to EcoWater MWPV Corp.
- l) On August 4, 2020, the BOD of MWPVI approved the assignment of the franchises, rights and obligations granted to MWPVI by the local government units of Malasiqui, San Fabian, and Manaoag in the province of Pangasinan to North Luzon Water.

On April 27, August 13, and December 3, 2018, MWPVI was granted separate twenty-five (25)-year franchises by the Municipalities of Sta. Barbara, San Fabian, and Manaoag in Pangasinan, respectively, through MOAs between MWPVI and the municipal government. These MOAs were signed in 2019.

- m) On August 26, 2020, Manila Water Total Solutions Corp. (MWTS) announced the permanent closure of its Healthy Family Business Division effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations.
- n) The fair value of the MWC common shares held by the Group amounted to ₱12.8 billion and ₱9.0 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. The voting rights held by the Group in MWC as of September 30, 2020 and December 31, 2019 is equal to 80.2%.

IMI

- a) On February 24, 2020, the BOD of IMI authorized and approved the execution of a shareholders' agreement among Coöperatief IMI Europe U.A. (Coöperatief), the noncontrolling shareholder of VIA, and VIA Optronics AG to extend the exercise period of the noncontrolling shareholder's 5% put option right, subject to, among others, Coöperatief having a right of first refusal over said non-controlling shareholder's shares including those transferred to his immediate family.
- b) On September 25, 2020, VIA Optronics, a 76%-owned German subsidiary of IMI, raised some proceeds through an initial public offering (IPO) and was listed on the New York Stock Exchange under the ticker symbol "VIAO". The IPO involves issuance of 6,250,000 American Depositary Shares (ADSs), representing 1,250,000 ordinary shares at a public offering price of \$15.00 per ADS, for gross proceeds of \$93.75 million (net \$87.19 million after deducting underwriting discounts and commissions). Corning Research & Development Corporation ("Corning"), one of VIA's commercial partners, has also agreed to purchase 1,403,505 ADSs, representing 280,701 ordinary shares, at an aggregate purchase price of approximately \$20 million (net \$19.6 million after commissions) in a separate concurrent private placement (see Note 8).

As a result of the IPO, IMI's ownership interest in VIA was diluted from 76.01% to 50.32%. In relation to the dilution without loss of control, the carrying amount of the non-controlling interest was adjusted by \$62 million to reflect the changes in the relative interests in VIA (including allocation of goodwill). IMI recognized directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent. The amount recognized in equity amounted to \$18.0 million included under Additional paid-in capital account (see Note 17).

The put options of VIA was terminated upon IPO and balance of \$15 million was reverted to equity under Additional paid-in capital account (see Notes 15 and 17).

- c) In March 2020, IMI International (Singapore) Pte. Ltd. declared dividends on the redeemable cumulative preferred stocks to AC Industrials (Singapore) Pte, Ltd. (ACI Singapore) amounting to \$3.47 million.
- d) The fair value of the IMI shares held by the Group amounted to ₱6.6 billion and ₱9.1 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. The Parent Company and AC Industrials effectively own 52.1% of IMI which is also equivalent to the voting rights held by the Group as of September 30, 2020 (unaudited) and December 31, 2019 (audited).

AC Energy

- a) On September 16, 2019, ACEN signed a baseload Power Purchase Agreement (PSA) and a midmerit PSA both with MERALCO for the supply of 200MW baseload and 110MW mid-merits capacity, respectively, to MERALCO. The baseload PSA and the mid-merit PSA have been applied for approval with the Energy Regulatory Commission (ERC). On December 10, 2019, the ERC issued provisional authorities for the two (2) PSAs, while hearings for the issuance of final authority is on-going. On February 7, 2020, ACEN filed motions for reconsideration with the ERC to ask for a re-evaluation of the provisional authorities and an increase in the provisionally approved rates. On May 13, 2020 and June 1, 2020, ACEN received copies of the orders of the ERC granting ACEN's motions for reconsideration for the baseload and mid-merit rates, respectively.
- b) On November 14, 2019, ACEN signed a First Amended and Restated Share Purchase Agreement with the investors of the Philippine Investment Alliance for Infrastructure (PINAI) for the acquisition of PINAI's indirect ownership interest in NLR. PINAI is a fund composed of Macquarie Infrastructure Holdings (Philippines) Pte. Limited, the Government Service Insurance System, and Langoer Investments Holding, B.V. It has a 31% preferred equity ownership and 15% common equity ownership in NLR. The acquisition is subject to certain conditions precedent including the approval by the PCC. PCC approval was obtained on February 4, 2020. The acquisition was thereafter completed on February 27, 2020, with Giga Ace 1, ACEN's designated affiliate as buyer, purchasing PINAI's ownership interest in NLR.
- c) On December 2, 2019, ACEN signed a share purchase agreement with PINAI Investors, collectively made up of Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Langoer Investments Holding B.V., and the Government Service Insurance System, for the acquisition of PINAI's ownership interest in SACASOL.

On February 13, 2020, the PCC ruled that ACEN's acquisition of the PINAI Investors' ownership interest in SACASOL "will not likely result in substantial lessening of competition" and resolved "to take no further action with respect to the proposed Transaction..."

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in SACASOL and payment of the purchase price in the amount of ₱2,981.86 million by Giga Ace 2, Inc were completed. Subsequently, purchase price was adjusted to ₱3,088.11 million based on the provisions of the share price agreement. ACEN acquired 100% of equity interest in SACASOL. Giga Ace 2 is ACEN's wholly owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in SACASOL.

The transaction was accounted for using the acquisition method under PFRS 3. The fair values of the identifiable FIT contract as intangible asset and property, plant and equipment were determined using the income approach. The fair value measurements are classified as level 2, for both, with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

Provisional fair values reported in previous interim condensed consolidated financial statements were adjusted to reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

SACASOL runs a 45-MW solar farm which is under the government's FIT regime. The Group's acquisition is in line with its strategy to expand its business operations in renewable energy platform

Following are the fair values of the identifiable assets and liabilities as at the date of acquisition (in thousands):

Assets	
Cash and cash equivalents	₱ 232,560
Receivables ^(a)	113,812
Input value added tax	46,793
Other current assets	34,077
Property, plant and equipment ^(b)	1,207,318
Intangible assets	2,191,814
Deferred income tax assets – net	41,417
Other noncurrent assets	5,757
	3,873,548
Liabilities	
Accounts payable and other current liabilities	43,259
Current portion of lease liability	85,730
Income and withholding taxes payable	1,000
Lease liabilities - net of current portion	437,276
Other noncurrent liabilities	65,374
	632,639
Total identifiable net assets	₱ 3,240,909
Less: Cost of acquisition	3,088,109
Fair value of previously held interest	102,830
Gain on bargain purchase	₱ 49,970

^(a) Gross contractual accounts receivable

^(b) Balance includes right-of-use assets

The acquisition resulted to a gain on bargain purchase which is recognized under Other income account in the consolidated statement of income.

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱3,088,109
Less: Cash acquired with the subsidiary ^(a)	232,560
Net cash outflow	₱2,855,549

^(a) Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the nine-month period ended September 30, 2020 would have been ₱697.19 million. Since this is a step acquisition, the incremental contribution to the net income attributable to ACEN for the six-month period ended September 30, 2020 amounted to ₱339.03 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱402.84 million.

- d) On December 2, 2019, ACEN signed a Share Purchase Agreement with the PINAI for the acquisition of PINAI's ownership interest in Islasol. PINAI is a fund composed of Macquarie Infrastructure Holdings (Philippines) Pte. Ltd., the Government Service Insurance System, and Langoer Investments Holding, B.V. PINAI has a 98% economic interest in Islasol. The acquisition is subject to certain conditions precedent including the approval by PCC.

On February 26, 2020, the PCC approved ACEN's acquisition of the PINAI Investors' ownership interest in ISLASOL.

On March 23, 2020, the acquisition of the PINAI Investors' ownership interest in ISLASOL and payment of the purchase price in the amount of ₱1,629.97 million by Giga Ace 3, Inc. were completed. Subsequently, purchase price was adjusted to ₱1,632.32 million based on the

provisions of the share purchase agreement. Giga Ace 3 is ACEN's wholly owned subsidiary and the entity designated by ACEN to purchase the PINAI Investors' shares in ISLASOL.

On March 30, 2020, a resolution to increase the authorized capital stock of ISLASOL was approved by its BOD and ratified by the stockholders.

On May 22, 2020, a subscription agreement was signed between ThomasLloyd CTI Asia Holdings Pte Ltd. (TLCTI Asia) and ISLASOL which finalizes the subscription of TLCTI Asia to the increase in ISLASOL's authorized capital stock. On the same date, GigaAce 3, TLCTI Asia and ISLASOL entered into a Shareholders' Agreement which sets out the provisions of their ownership interest in ISLASOL.

The abovementioned series of transactions provided ACEN an economic interest of 60%, on fully diluted basis post subscription of TLCTI Asia. ACEN assessed that although executed subsequent to the acquisition date (March 23, 2020), the subscription agreement between TLCTI Asia and ISLASOL dated May 22, 2020 was executed in contemplation of the Investment Agreement, with an overall economic objective for the Parent Company and TLCTI Asia to have 60% and 40% economic interest, respectively.

The transaction was accounted for using the acquisition method under PFRS 3. The fair value of the property, plant and equipment was determined using the income approach. The fair value measurement is classified as level 2, with observable indirect level of inputs. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

Provisional fair values reported in previous interim condensed consolidated financial statements were adjusted to reflect new information obtained about facts and circumstances that were in existence at the acquisition date.

ISLASOL owns and operates an 80-megawatt (MW) solar farm in Negros Occidental. The Group's acquisition is in line with its strategy to expand its business operations in renewable energy platform.

Following are the provisional fair values of the identifiable assets and liabilities as at acquisition date (in thousands):

Assets	
Cash and cash equivalents	₱ 461,012
Receivables	1,106,301
Fuel and spare parts	10,558
Input value added tax	44,339
Other current assets	33,023
Property, plant and equipment ^(a)	1,908,579
Deferred income tax assets - net	117,512
Other noncurrent assets	2,627
	3,683,951
Liabilities	
Accounts payable and other current liabilities	50,868
Income and withholding taxes payable	21
Current portion of long-term loans	395,388
Current portion of lease liability	19,325
Lease liabilities - net of current portion	348,473
Other noncurrent liabilities	121,516
	935,591
Total identifiable net assets	₱ 2,748,360
Less: Cost of acquisition	1,632,324
Fair value of previously held interest	29,145
Non-controlling interest	1,099,344
Goodwill arising on acquisition	₱ 12,453

^(a) Balance includes right-of-use assets

Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under Goodwill and other intangible assets in the statements of the financial position. None of the goodwill recognized is expected to be deductible for income tax purposes.

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱1,632,324
Less - cash acquired with the subsidiary ^(a)	461,012
Net cash outflow	<u>₱1,171,312</u>

^(a)Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the nine-month period ended September 30, 2020 would have been ₱222.73 million. Since this is a step acquisition, the decremental contribution to the net income attributable to ACEN for the six-month period ended September 30, 2020 amounted to ₱7.50 million from the date of acquisition. Moreover, had the transaction taken place at the beginning of 2020, the incremental contribution to the net income attributable to ACEN would have amounted to ₱5.44 million.

- e) On March 17, 2020, AC Energy's BOD approved the consolidation of its international business and assets into ACEN via a tax-free exchange, whereby AC Energy will transfer 100% of its shares of stock in Presage (a 100%-owned subsidiary holding AC Energy's international business and investments), consisting of 1,650,166,347 common shares and 15,035,347,600 redeemable shares, to ACEN in exchange for the issuance to AC Energy of additional common shares.

On March 18, 2020, the BOD of the ACEN approved the consolidation of AC Energy's international business and assets into ACEN via a tax free exchange, whereby AC Energy will transfer its shares of stock in Presage Corporation (AC Energy's subsidiary, a holding company that owns AC Energy's international business and investments) to ACEN in exchange for the issuance to AC Energy of additional primary shares in ACEN (assets-for-shares swap), on terms to be set by ACEN's Executive Committee.

On April 1, 2020, ACEN's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to AC Energy at an issue price of ₱2.97 per share in exchange for property consisting of 100% of AC Energy's shares in Presage. As at November 5, 2020, AC Energy and ACEN are still in discussions as to the timing and the implementation of the share swap for AC Energy's international assets, considering among others, the regulatory approvals required, and the ongoing tax-free exchange between the two parties involving AC Energy's Philippine Assets.

- f) On March 26, 2020, the Parent Company confirmed the new article titled "AC Energy, Vietnam firm to expand wind project" published online on same day by Manila Times. AC Energy and Vietnamese partner, The Blue Circle Pte. Ltd., are proceeding with the expansion of the Mui Ne wind project with a second 40-megawatt (MW) phase to be commissioned in 2021 in Binh Thuan province in Vietnam.
- g) On February 27, 2020, ACEN subscribed to 75,000 common shares of Giga Ace 1 with par value of ₱1 per share to be issued out of the unissued authorized capital stock (ACS), and 43,069,625 common shares with par value of ₱1 per share and 53,562,609 Class A redeemable preferred shares with par value of ₱40 per share to be issued out of increase in ACS of Giga Ace 1. On the same date, Giga Ace 1 executed Deeds of Absolute Sale of Shares for the acquisition of 27.07% effective interest in Philippine Wind Holdings Corporation (PhilWind).

On March 4, 2020 ACEN signed a subscription agreement with Giga Ace 1 for the subscription by the ACEN to additional 1,170,000 common shares and 32,500 Class A redeemable preferred shares to be issued out of the increase in ACS of Giga Ace 1.

- h) On March 20, 2020, ACEN signed a subscription agreement with Giga Ace 2 for the subscription by ACEN to 3,041,096,860 common shares with par value of ₱1 per share to be issued out of the increase in ACS of Giga Ace 2.

On March 23, 2020, Giga Ace 2 executed Deeds of Absolute Sale of Shares for the acquisition of 96% economic interest in San Carlos Solar Energy, Inc. (SACASOL).

- i) On March 20, 2020, ACEN signed a subscription agreement with Giga Ace 3 for the subscription by ACEN to 1,662,654,537 common shares with par value of ₱1 per share to be issued out of the increase in ACS of Giga Ace 3.

On March 23, 2020, Giga Ace 3 executed Deeds of Absolute Sale of Shares for the acquisition of 98% economic interest in SACASOL.

- j) On April 21, 2020, the Parent Company (Ayala) confirmed the news article titled “Ayala to fully abandon coal investments by 2030” published online on April 20, 2020 by Philstar. AC Energy Philippines is making a commitment to transition to a lower carbon portfolio by rebalancing its generation portfolio to grow its renewable energy assets. Around 700 megawatts of new capacity was added to the company’s portfolio last year, of which 60% were from renewable sources and will continue to expand and diversify its generation capacity and will target to exceed 1,500-megawatt of capacity by 2020 and significantly increase its renewables capacity.

- k) On June 9, 2020, the Parent Company (Ayala) confirmed the news article titled “AC Energy investing in new wind power plant in Vietnam” published online on June 09, 2020 by Philstar.com. The AC Energy has partnered with UPC Renewables anew to jointly develop two wind projects in the Mekong Delta of southern Vietnam. The joint venture has commenced construction for the projects, which have aggregate capacity at 60 megawatts (MW). Under the partnership, AC Energy will participate in both projects with a 50% voting stake through its wholly owned subsidiary, AC Energy Vietnam Investments 2 Pte. Ltd. This is the first joint project of AC Energy and UPC Renewables in Vietnam. With the aim of qualifying for the current round for wind feed-in-tariff of 8.5 US cents per kwh, both projects are set to be commissioned in the third quarter of 2021.

- l) On October 9, 2019, AC Energy and ACEN executed a Deed of Assignment whereby the AC Energy offered to transfer and convey to ACEN all its rights and interest in the Onshore Companies (or certain domestic investee companies of AC Energy) for and in consideration for the issuance by ACEN common shares.

On December 26, 2019, a Supplement to the Deed of Assignment was executed to incorporate specific regulatory requirements for the application for tax free exchange ruling and confirm the percentage of ownership in Monte Solar Energy, Inc. Further details of this transaction for the year 2019 were discussed in Note 2 of the 2019 consolidated financial statement of the Ayala Corporation and subsidiaries.

On May 14, 2020, ACEN and AC Energy have agreed to further amend and restate the Amended Agreement, with effect from the execution of the Original Deed on October 9, 2019 following the approval of the SEC increases in the capital stocks of ACE Endeavor, Inc. (formerly AC Energy Development, Inc.) and ACE Renewables Philippines, Inc. (formerly Moorland Philippines Holdings, Inc) and to further integrate the provisions of the Supplement.

On June 22, 2020, the application for the increase in the capital stock of ACEN was approved by the SEC.

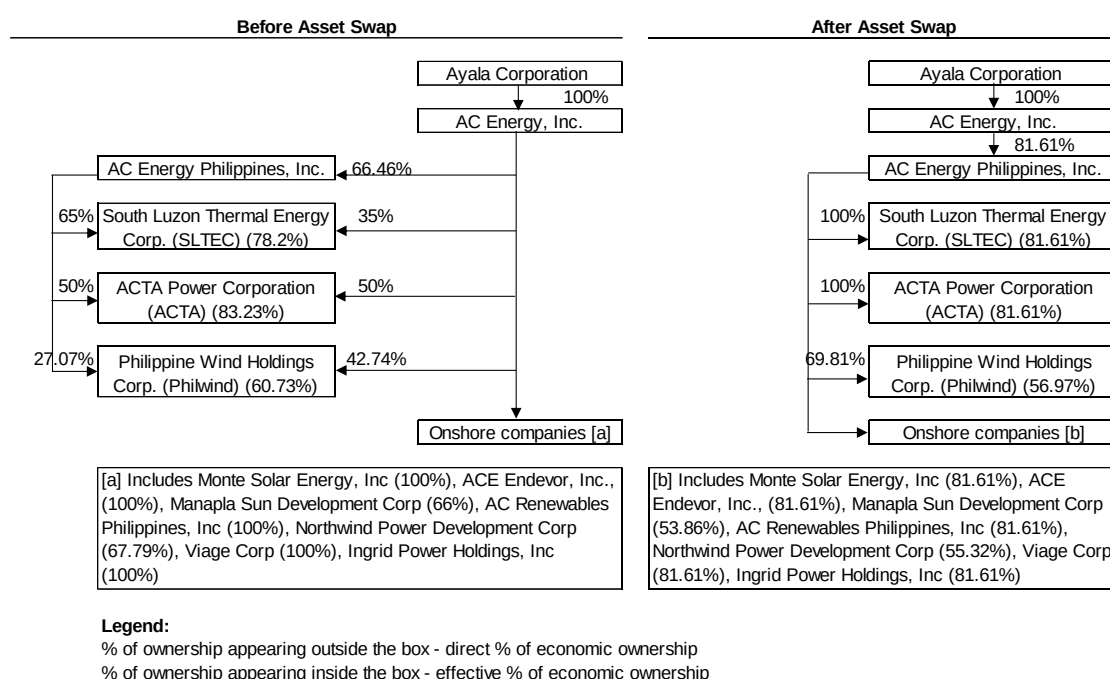
Thus, effective July 1, 2019 (date when ACEN and the Onshore Companies are under common control of AC Energy), ACEN acquired the Onshore Companies through the share swap transaction with AC Energy, related parties under common control. Shares involve common, founders and preferred shares. As the transaction is outside the scope of PFRS 3, *Business Combinations*, the merger was accounted for using the pooling of interests method. In applying the pooling of interests method, assets and liabilities of are taken into the merged business at their carrying values with restatement of comparative 2019 figures of ACEN. Likewise, no goodwill was recognized in the business combination.

The share swap transaction provides that ACEN shall issue its own shares equivalent to 6,185,182,288 common shares at ₱2.37 per share as consideration in exchange for AC Energy's interest in the aforementioned entities as at July 1, 2019, giving rise to additional paid-in capital presented in the equity of ACEN amounting to ₱8.38 billion. Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱94.78 million were charged to additional paid-in capital account. This transaction is awaiting the release for a tax free exchange ruling applied with the BIR.

The Deed of Assignment also gave ACEN the right to receive any dividends accruing to AC Energy from the date of the assignment and are treated as price adjustment to the share swap transaction. In 2020, ACEN received cash amounting to ₱145.01 million and ₱13.46 million representing AC Energy's dividend income from PhilWind and Northwind, respectively. These were accounted for as increase in additional paid-in capital of ACEN.

Also, ACEN acquired SLTEC's remaining non-controlling interest as it gained control of the 35% interest from the share swap transaction with AC Energy.

The following illustrates the corporate organization before and after the above transactions.



On October 30, 2020, the BIR issued a ruling confirming that the transaction qualifies as a tax-free exchange. ACEN is currently obtaining the Certificates Authorizing Registration covering the shares of the assets transferred.

o) Power Barge 102 Oil Spill

ACEN's Power Barge (PB) 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil in the afternoon of July 3, 2020. Based on initial investigation, there was an explosion in one of the barge's fuel tanks which ruptured the hull of the barge and resulted in the oil spill. BPGC, the operator and maintenance services provider of PB 102, immediately activated containment protocols. With the assistance of the Philippine Coast Guard (PCG) and industry and community partners, the leakage was substantially contained within the same day. After containment, ACEN, through BPGC, and the PCG immediately started recovery of the spilled fuel oil with recovery capacity being accelerated with the deployment of additional oil skimming equipment. ACEN has also engaged Harbor Star Shipping Services, Inc. (Harbor Star), a leading maritime services provider, to complete the clean-up of both the waters and the coastline.

ACEN has notified the insurers of PB 102 about the event, and discussions are ongoing in this regard. As at November 11, 2020, the ACEN has incurred ₱14.05 million in fuel loss, community assistance oil containment and recovery expenses, net of insurance proceeds. The AC Energy Group will continue to take measures to mitigate the environmental impact of the spill and to fully cooperate with authorities to address all relevant concerns.

On July 28, 2020, ACEN received a Resolution dated July 27, 2020 issued by Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) Region VI, in relation to Notice of Violation No. 20-NOVW-0630-164, for possible violation of Section 27(a) of DENR Administrative Order 2005-10, the Implementing Rules and Regulations of the Philippine Clean Water Act of 2004 (Republic Act or “RA No. 9275”), in connection with the oil spill involving PB 102 which occurred on July 3, 2020.

Possible payment of fines to be determined by the Pollution Adjudication Board, in the range of (1) ₱10,000 to ₱200,000 per day from the time of the incident (July 3, 2020) until full recovery of the discharged fuel (July 13, 2020), for alleged violation of RA 9275; and (2) ₱50,000 to ₱1,000,000 or imprisonment of not less than one (1) year but not more than six (6) years, or both, for alleged violation of Section 4 of PD 979.

ACEN has contested this Resolution and filed a Motion for Reconsideration.

ACEN has received claims for compensation for property damages and loss of livelihood from claimants in Iloilo and Guimaras which were allegedly affected by the oil spill. These claims are now undergoing validation.

- p) **Refund of Market Transaction Fee from PEMC**
On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering the Philippine Electricity Market Corporation (PEMC) to refund the over collection in the Market Transaction Fee (MTF) in 2016 and 2017. The Commission determined the over collection by getting the variance between the MTF collected in 2016 and 2017, and the ERC-Approved Budget of PEMC for the same period. The total refund was determined at P433.2 million which shall be apportioned among all the Luzon and Visayas participants. The ERC directed PEMC to implement the refund over twelve (12) months beginning on the next billing month upon receipt of the relevant Decision. PEMC filed a motion for reconsideration with the ERC.
- q) On July 17, 2020, the Parent Company (Ayala) confirmed the news article titled “AC Energy builds largest wind farm in Vietnam at 210 MW” posted in BusinessWorld (Online Edition) on the same date. AC Energy is building a wind farm in Vietnam, raising its overall renewables capacity to 1,200 megawatts (MW). The 210-MW wind farm is being constructed in the coastal area of Quang Binh province with partner AMI Renewables Energy Joint Stock Co. The first stage of construction will deliver a capacity of 109.2MW, while the second phase will bring 100.8-MW capacity.
- r) On July 21, 2020, the Parent Company (Ayala) confirmed the news article titled “Ayala building \$68-M solar farm in India” posted in Inquirer.net on the same date. AC Energy has started building a 100-MW solar farm in India, the Group’s first major investment in the South Asian country. The \$68-million Sitara Solar project will rise in the northern desert state of Rajasthan. With this project being done through UPC-AC Energy Solar, the Ayala subsidiary’s joint venture with UPC Solar Asia Pacific, AC Energy expects its renewables portfolio to exceed 1,200-MW.
- s) **Feed-in Tariff (FIT) adjustment recognition**
On July 3, 2020, the ERC posted on its website, Resolution No.06, Series of 2020, *A Resolution Approving the Adjustment to the Feed In Tariff (FIT)* Dated May 26, 2020. Said Resolution approved and adopted FIT adjustments for the years 2016-2020 to be recovered for a period of five (5) years. The Resolution shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the country. However, as of November 11, 2020, the ERC has yet to publish the same.

Renewable energy subsidiaries of the ACEI accrued the retroactive revenue adjustments. Bases of management’s judgment are as follows:

- *Legal right.* The FIT Rules are adopted and promulgated by the ERC pursuant to the Renewable Energy Act of the Philippines and its Implementing Rules and Regulations (IRR).
- *Contractual right.* All the companies hold Certificates of Compliance for FIT Eligibility issued by the ERC, hence, entitled to the appropriate FIT rates.
- *Precedence.* The ERC has released resolutions in the past on FIT.

Tariff Adjustment

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020.

Renewable energy subsidiaries under the FIT system which include Guimaras Wind, Monte Solar Energy, Inc. ("MSEI"), SACASOL, and Northwind, accrued the retroactive net revenue adjustment amounting to P791.5 million. This will be recovered for a period of five (5) years.

NLR, a renewable energy producer and a joint venture through PhilWind, also accrued the retroactive net revenue adjustment amounting to P635.5 million.

AC Health

- On December 6, 2019, AC Health signed a binding agreement to acquire a 100% stake in Healthway Philippines, Inc. (Healthway) from Healthway Asia Ltd. Healthway Philippines, Inc. owns, through its wholly-owned subsidiary HMC, Inc., the Healthway chain of clinics that comprises of 7 mall-based specialty clinics and 40 corporate clinics in the country.

On January 15, 2020, AC Health and Healthway Asia Ltd. completed the transaction, making AC Health the new sole owner of Healthway Philippines, Inc.

The purchase price allocation has been prepared on a preliminary basis due to unavailability of information to facilitate fair value computation which includes information necessary for the valuation of other intangible assets, if any. The provisional goodwill is subject to reasonable changes, if any, as additional information becomes available and the purchase price allocation has been finalized.

The provisional fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follow (in thousands):

Assets	
Cash and cash equivalents	₱ 123,090
Receivables	112,905
Prepayments	13,521
Other current assets	11,748
Property and equipment	152,473
Other noncurrent assets	59,494
	473,231
Liabilities	
Accounts and other payables	200,097
Tax payable	2,548
Other current liabilities	30,223
Loans payable	25,674
Pension liability	78,636
Other non-current liabilities	90,522
	427,700
Net Assets	45,531
Less: Cost of acquisition	1,477,832
Provisional goodwill	₱ 1,432,301

Cash consideration	₱ 1,477,832
Less cash acquired from the subsidiary	123,090
Net cash outflow	<u>₱ 1,354,742</u>

From the January 15 to September 30, 2020, AC Health's share in Healthway's revenue and net loss amounted to ₱244 million and ₱94 million, respectively.

- b) On various dates in January to September 2020, the Parent Company made a capital infusion to AC Health amounting to ₱2,487 million mainly to support new businesses as follows: Healthway (₱1,478 million), Zapfam, Inc. (₱121.4 million), Vigos Ventures, Inc. (₱106.5 million) and Zodiac Prime Ventures Holdings, Inc. (₱90.5 million). Also, part of the infusions were used fund another COVID19 initiative in forming a network of PCR laboratories in Tropical Disease Foundation, Qualimed Hospitals and the University of Cebu Medical Center.

On April 17, 2020, AC Health received ₱165 million as payment for the 75 million common shares subscribed at ₱5 per share. In various months ending September 2020, AC Health received ₱231 million as partial payment for the subscription. On September 11, 2020, AC subscribed and paid ₱160 million for an additional 80,000,000 redeemable preferred shares at ₱2 per share. These payments and additional subscription form part of the infusion mentioned above (see also Parent Company portion [a]).

- c) In March, AC Health through its technology arm, Vigos, invested ₱25.54 million cash in Obvio Health Pte. Ltd. (ObvioHealth). ObvioHealth is a digital clinical research organization spun out of SPRIM Ventures and funded by Tikehau through TKS1. ObvioHealth digitizes clinical trials through its proprietary platform, ClaimIT.

AC Infra

- a) On January 28, 2020, AC Infra Group received capital infusion from the Parent Company amounting to ₱362.5 million for the issuance of 362,500 common shares. The shares are issued at a subscription price of ₱1,000.00 per share, ₱900.00 per share in excess of par, resulting to ₱326.25 million APIC.

On April 15, 2020, AC Infra Group received capital infusion from the Parent Company amounting to ₱239.0 million for the issuance of 239,000 common shares. The shares are issued at a subscription price of ₱1,000.00 per share, ₱900.00 per share in excess of par, resulting to ₱215.1 million APIC.

On September 14, 2020, AC Infra received capital infusion from the Parent Company amounting to ₱377.5 million by way of a subscription deposit for AC Infra's 377,499,000 preferred shares having a par value and subscription price of ₱1 per share. The preferred shares are with voting rights; non-participating; with preference as to dividend distribution as such rate as the AC Infra Board may approve; with preference over holders of common shares in the distribution of corporate assets in the event of dissolution; redeemable at the option of AC Infra at issue value and under such terms its Board may determine, in any case subject to the payment of all accrued and unpaid dividends on the shares; and not re-issuable.

- b) On January 30, 2020, AC Infra made a capital infusion of ₱262.50 million into LRMHI for the subscription to 131,250,000 additional common shares at ₱2.00 per share, ₱1.00 per share in excess of par. The infusion is proportionate to its equity share in LRMHI.

On September 14, 2020, AC Infra made a capital infusion of ₱262.50 million into LRMHI for the subscription to 131,250,000 additional common shares at ₱2.00 per share, ₱1.00 per share in excess of par. The infusion is proportionate to its equity share in LRMHI.

These infusions were made to fund the Cavite Extension Project in which the project timetable is currently impacted by covid (see Note 3 – Covid-19 Pandemic).

- c) On January 24, 2020, AC Infra made a capital infusion of ₱100.0 million into Entrego Fulfillment Solutions, Inc. (Entrego) for the subscription to additional 100.0 million preferred shares at ₱1.00 per share.

On September 11, 2020, Entrego's application to increase the authorized capital stock of its preferred shares, amounting to ₱100.00 million, was approved by the SEC.

- d) On March 12, 2020, the Parent Company's BOD approved an additional funding of up to ₱600 million to fund investment of AC Infra in Entrego.
- e) Beginning January 1, 2020, the delivery services operation was transferred from Entrego to Entrego Express Corporation (Entex), formerly Bedacon Express Corporation, a 100% subsidiary of Reliant Logistics Holdings Company, Inc. (Reliant) (a subsidiary of AC Infra). Entrego remained as the shared service provider of Entex and as a vehicle for future logistics-related projects.

On February 5, 2020, Entrego entered into a Share Purchase Agreement (SPA) with Reliant for the purchase of Reliant's 100% ownership interest in Entex, equivalent to 500,000 common shares, for a total acquisition cost ₱6.0 million. On September 1, 2020, Entrego and Reliant executed the Deed of Absolute Sale of Shares of Stock for Entrego's purchase of Reliant's 100% ownership in Entex. This acquisition completed the SPA and effective September 1, 2020, Entex is now consolidated by Entrego.

On February 17, 2020, the SEC approved the amendments to Entrego's primary and secondary purpose of its articles of incorporation.

On February 18, 2020, Entrego filed its application to secure Private Express and/or Messengerial Delivery Service (PEMEDES) license with the Department of Information and Communications Technology (DICT). On February 20, 2020, a petition for grant of provisional authority pending suspension of processing of applications also filed with DICT. On October 9, 2020, DICT completed its assessments of the applications.

On July 27, 2020, an application for the accreditation with the Civil Aeronautics Board (CAB) was filed by Entrego for a license to transport packages via air carriers. The CAB Certificate of Authority and Registration, valid for five (5) years, was issued last September 7, 2020.

On September 3, 2020, SEC approved the re-naming of Reliant Logistics Holdings Company, Inc. to Reliant Logistics Company, Inc. and amendment to its primary purpose to "engage in the business of contract logistics and warehousing services as well as to provide software, engineering, support application development, and system integration services relating to logistics management".

- f) On April 20, 2020, AC Infra made a capital infusion of ₱30.0 million into AF Payment, Inc. for the subscription to additional 30.0 million preferred shares at ₱1.00 per share.
- g) On July 6, 2020, the NAIA Consortium, which AC Infra is part of, submitted a letter to the National Economic Development Authority (NEDA) notifying NEDA that, given the impact of the pandemic, the NAIA consortium can only move forward with the NAIA Project under the revised conditions that the NAIA Consortium proposed.

On July 10, 2020, the NAIA Consortium received a letter from the Manila International Airport Authority (MIAA), notifying the NAIA Consortium that MIAA is terminating any further negotiations with the Consortium on the NAIA unsolicited proposal and withdraws/revokes the Original Proponent Status and approvals earlier granted. This letter is in response to the above consortium's letter addressed to NEDA.

- h) On July 16, 2020, the AC Infra BOD approved the dissolution of Light Rail Manila Holdings 2, Inc. and Light Rail Manila Holdings 6, Inc., the holding companies established for the planned LRT 2 and LRT 6 projects, by shortening its corporate life until September 30, 2021.
- i) On July 16, 2020, the AC Infra Stockholders and BOD approved the (a) increase in authorized capital stock by ₱1.51B to ₱4.51B; and (b) creation of ₱1.51B preferred shares. The SEC requirements for the application of an increase in authorized capital stock are still in process.

AC Industrials

- a) On various dates in January to September 2020, the Parent Company made a capital infusion to AC Industrials amounting to ₱345.6 million for investments and to support its automotive business unit's operations.
- b) In June 2020, ACI Singapore declared dividends on the redeemable cumulative preferred stocks to ACIFL amounting to \$2.47 million.
- c) In August 2020, ACI Singapore invested US\$ 620m in AG Active Fund I, L.P., a Cayman Exempted Limited Partnership for 11.11% share. This fund will support the Ayala Digital Transformation Framework, which can extend Ayala's innovation execution capabilities through investing in early growth stage tech companies.

AC Ventures

- a) On various dates in January to September 2020, the Parent Company made a capital infusion to AC Ventures amounting to ₱225.0 million to fund its additional investment in BF Jade.

AAC

- a) On various dates in January to September 2020, the Parent Company made a capital infusion to AAC amounting to ₱126.0 million to fund its various expenditures

BHL

- a) On January 23, 2020, VIP infrastructure Holdings Pte. Ltd., disbursed US\$82.5 million into First Myanmar Investment Public Co. (FMI) via a convertible loan facility after securing approval from the Central Bank of Myanmar. The transaction forms part of the VIP's \$237.5 million investment in Yoma Group.

Material partly-owned subsidiaries

The summarized financial information of subsidiaries that have material non-controlling interest is provided below. This information is based on amounts before intercompany eliminations.

	September 2020 (Unaudited)		December 2019 (Audited)	
	(In Millions)			
Ayala Land, Inc. and Subsidiaries				
Current assets	₱	317,556	₱	295,434
Non-current assets		402,294		418,489
Current liabilities		206,323		226,584
Non-current liabilities		256,542		244,634
Equity				
Attributable to owners of the parent		219,477		211,050
Attributable to non-controlling interest		37,508		31,656
Revenue		63,321		121,657
Net income				*
Attributable to owners of the parent		6,367		23,210
Attributable to non-controlling interest		1,145		*
Other comprehensive income		(1,469)		(726)
Manila Water Co. Inc. and Subsidiaries				
Current assets	₱	38,717	₱	14,459
Non-current assets		122,819		120,143
Current liabilities		22,355		21,858
Non-current liabilities		80,241		56,752
Equity				
Attributable to owners of the parent		57,569		54,715
Attributable to non-controlling interest		1,372		1,276
Revenue		16,072		15,996
Net income				*
Attributable to owners of the parent		3,196		4,186
Attributable to non-controlling interest		95		*
Other comprehensive income		(355)		(109)

Integrated Microelectronics, Inc. and Subsidiaries			
Current assets	US\$	749	US\$ 674
Non-current assets		386	422
Current liabilities		482	454
Non-current liabilities		80	159
Equity			
Attributable to owners of the parent		411	383
Attributable to non-controlling interest		162	101
Deposit for future subscription		-	-
Revenue		789	940 *
Net income			
Attributable to owners of the parent		(12)	0 *
Attributable to non-controlling interest		(2)	(4) *
Other comprehensive income		11	(15) *

AC Energy Holdings, Inc. and Subsidiaries			
Current assets	₱	115,841	₱ 116,581
Non-current assets		105,063	92,367
Current liabilities		58,727	49,758
Non-current liabilities		71,102	71,543
Equity			
Attributable to owners of the parent		71,061	70,798
Attributable to non-controlling interest		20,015	16,849
Revenue		23,379	8,167 *
Net income			
Attributable to owners of the parent		5,605	24,468 *
Attributable to non-controlling interest		1,363	459 *
Other comprehensive income		(4,125)	(1,487) *

* Based on unaudited September 30, 2019.

As of September 30, 2020 (unaudited), the proportion of economic ownership held by material non-controlling interest of ALI, MWC and IMI are 55.6%, 48.6% and 47.9%, respectively, while the voting rights held are 32.7%, 19.8% and 47.9%, respectively.

4. Cash and Cash Equivalents

This account consists of the following:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Cash on hand and in banks	₱ 49,119,040	₱ 50,403,614
Cash equivalents	43,437,704	43,001,639
	₱ 92,556,744	₱ 93,405,253

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term rates.

The Group maintains cash and cash equivalents with Bank of the Philippine Islands (BPI), an associate of the Parent Company and related party of the Group, amounting to ₱19.4 billion and ₱24.9 billion, as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 23).

5. Short-term Investments

This account consists of the following:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Money market placements	₱ 1,627,607	₱ 13,387,801

Short-term investments pertain to money market placements made for varying periods of more than three months but less than one year and earn interest at the respective short-term investment rates.

The Group maintains short-term investments with BPI amounting to ₱768.3 million and ₱247.7 million, as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 23).

Decrease in short-term investments mainly due to maturity of placements use for operations due to lower collections of subsidiaries as effect of the pandemic, buy-back of shares, infusions to business units and new investments.

6. Accounts and Notes Receivable

This account consists of the following:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Trade:		
Real estate and hotels	₱ 132,103,101	₱ 124,310,805
Electronics manufacturing	11,670,876	14,687,014
Power generation	5,648,127	4,689,762
Automotive	3,336,903	3,047,040
Information technology and Outsourcing	338,508	314,422
International and others	1,053,405	848,985
Advances to other companies	28,174,554	23,593,209
Receivable from related parties (Note 23)	12,330,647	14,491,228
Receivable from officers and employees (Note 23)	1,379,174	1,505,310
Dividend receivable	(0)	145,010
Others	1,754,650	1,384,579
	197,789,944	189,017,364
Less allowance for expected credit losses	2,528,771	2,428,362
	195,261,173	186,589,001
Less noncurrent portion	52,742,328	55,720,290
	₱ 142,518,846	₱ 130,868,711

The aging analysis of accounts and notes receivables that are past due but not impaired as of September 30, 2020 (unaudited) follows:

	Neither Past Due Nor Impaired	Past Due But Not Impaired					Individually Impaired	TOTAL	
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Sub-Total		
in Millions									
Trade:									
Real estate and hotels	₱ 108,696	₱ 4,778	₱ 1,411	₱ 1,419	₱ 2,006	₱ 7,291	₱ 16,905	₱ 781	₱ 126,382
Electronics manufacturing	9,854	1,145	230	46	74	260	1,755	62	11,671
Automotive	989	476	349	349	275	819	2,268	80	3,337
Power generation	5,567	-	-	-	-	-	-	81	5,648
Information technology and Outsourcing	254	27	31	4	3	20	85	-	339
International and others	890	48	19	0	7	89	163	-	1,053
Advances to other companies	24,045	1,007	372	25	266	7,464	9,133	761	33,939
Receivable from related parties	10,629	415	194	189	199	696	1,692	9	12,331
Receivable from officers and employees	1,295	3	2	2	5	71	83	1	1,379
Others	1,712	-	-	-	-	0	0	-	1,712
TOTAL	₱ 163,930	₱ 7,898	₱ 2,609	₱ 2,033	₱ 2,835	₱ 16,709	₱ 32,085	₱ 1,775	₱ 197,790

The classes of trade receivables of the Group follow:

Real estate and hotels

Real estate receivables consist of:

- Residential, commercial and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments.
- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Shopping centers - pertain to lease receivables from retail spaces
- Construction contracts - pertain to receivables from third party construction projects
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Residential, commercial and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 6.3% to 13.5%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Receivables from hotel operations and other support services are normally due within 30 to 90 days upon billing.

The ALI Group sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, totaling to P14,949 million for the period September 30, 2020 (unaudited) and P9,976 million for the full-year 2019 (audited). These were sold at a discount with total proceeds of P13,603 million for the period September 30, 2020 (unaudited) and P9,281 million in the full-year 2019 (audited). The ALI Group recognized loss on sale, under Interest and Other Financing Charges amounting to P1,346 million and P775 million for the period September 30, 2020 (unaudited) and for the full-year 2019 (audited), respectively.

Electronics manufacturing

Pertain to receivables arising from manufacturing and other related services for electronic products and components and have credit terms averaging 80 days from invoice date.

Power generation

Power generation receivables pertain to AC Energy Group's receivable from Philippine Electric Market Corporation (PEMC), National Grid Corporation of the Philippines (NGCP), National Transmission Corporation (TransCo) for the FIT and from the Group's bilateral customers. It consists of both noninterest-bearing and interest-bearing receivables. The term is generally 30-to-60 days.

Automotive

Automotive receivables relate to sale of passenger cars, motorcycles and commercial vehicles and are collectible within 30 to 90 days from date of sale.

International and others

International and other receivables arose from investments in overseas property companies and projects, charter services, agri-business and others and are generally on 30- to 60- day terms.

Water

Water receivables arise from water and sewer services rendered to residential, commercial, semi-business and industrial customers of MWC Group and are collectible within 30 days from billing date.

These receivables also include receivables from pipework services collectible within 12 months, receivables from distributors' fees arising from the Exclusive Distributorship Agreement (EDA) entered into by Manila Water Total Solutions Corp. (MWTS), a wholly-owned subsidiary of MWC, with distributors of its Healthy Family drinking water which are collectible within the period that is agreed with the distributors and receivables arising from supervision fees on the development of water and used water facilities which are collectible within thirty (30) days from billing date.

Outsourcing

Outsourcing receivables arise from venture capital for technology businesses; provision of value-added content for wireless services, online business-to-business and business-to-consumer services; electronic commerce; technology infrastructure sales and technology services; and onshore- and offshore-outsourcing services and are normally collected within 30- to 60- days from invoice date.

The nature of the Group's other receivables follows:

Advances to other companies

Advances to other companies mainly pertain to ALI's advances to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by North Triangle Depot Commercial Corporation (NTDCC) to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement.

On December 17, 2014, NTDCC and MRTDC shareholders executed a "funding and repayment agreement" wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from ALI Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

In 2019, AC Industrials extended a loan to Roadworthy Cars, Inc. (RCI) amounting to ₱1.6 billion which bears interest at the nominal rate of 16% per annum and which accrue from, and shall be paid by RCI, beginning on the second anniversary of the commencement of business of KP Motor Corporations. For the succeeding years until the repayment date, interest on the principal amount of the loan shall accrue with respect to the outstanding amount of the loan at the effective interest rate of 7.68% per annum and is payable for a period of 10 years. As of September 30, 2020 (unaudited) and December 31, 2019 (audited), loans receivable from RCI amounted to ₱1,795 million and ₱1,697 million, respectively.

In 2020, AC Energy entered into agreements with Asian Wind Power 1 HK Limited to provide additional funding for the development, financing, construction of the Dai Phong Project (Vietnam) with total facility of US\$61 million. The loan and interest are payable 12 months from the commissioning date. As of September 30, 2020, outstanding receivable amounted to US\$56.8 million, while interest income amounted to US\$0.43 million. Also, AC Energy extended a short-term loan facility to BIM Energy Holdings Corporation (BIMEH) and BEHS Joint Stock Company (BEHS) amounting to \$21.00 million and \$9.00 million, respectively for the purpose of implementing the business plans of these companies. The loans bear fixed rate per annum, drawable in tranches and maturing within 11 months from the first drawdown date. As of September 30, 2020, outstanding receivable from BIMEH and BEHS are US\$19.6 million and US\$8.4 million, respectively, while interest income amounted to US\$0.91 million (all figures unaudited).

Receivables from officers and employees

Receivable from officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction, are interest bearing (6.0% per annum) and have various maturity dates.

Others

Other receivables include accrued interest receivable and other nontrade receivables from non-related entities which are non-interest bearing and are due and demandable. This also includes receivable from the DPWH pertaining to the additional costs incurred by the Parent Company in the construction of the Daang Hari-South Luzon Expressway (SLEX) Link Road arising from the government directive to revise the interconnection design of the road amounting to ₱215.9 million in September 30, 2020 (unaudited) and December 31, 2019 (audited).

In general, the Group applies a simplified approach in calculating credit losses (ECL). Therefore, the Group does not tract changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Provisions for ECL amounted to ₱376.1 million and ₱186.1 million for the periods ended September 30, 2020 and 2019, respectively, which form part of the Group's General and Administrative Expenses (see Section 2.8). Due to impact of pandemic, aside from credit or collection extension from most businesses and waiver of certain mall rentals from ALI, the Group incurred notable increase in provisions for accounts receivable specifically for ALI with ₱141.0 million for the period September 2020 from ₱8.7 million in the same period last year, and MWCI with ₱239.7 million in 2020 versus ₱140.4 million in 2019 (all figures unaudited).

7. Inventories

This account consists of the following:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Residential and condominium units and offices	₱ 89,476,792	₱ 67,924,015
Residential and commercial lots	38,490,617	52,363,671
Materials and supplies	10,558,580	9,067,169
Vehicles	4,745,815	4,142,126
Finished goods	163,430	551,462
Work-in-process	1,056,326	1,283,266
Others	129,805	468,676
	144,621,365	135,800,385
Less: Allowance for inventory obsolescence and decline in value	729,612	736,083
	₱ 143,891,753	₱ 135,064,303

The Group's provision for inventory obsolescence and write-off amounted to ₱82.8 million and ₱26.0 million for the period ended September 30, 2020 and 2019 (both unaudited), respectively. The provision is included under General and Administrative Expenses account (see Section 2.8).

8. Other Current Assets and Other Noncurrent Assets

These accounts consist of the following:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Other current assets		
Advances to contractors	₱ 20,007,516	₱ 13,260,900
Prepaid expenses	18,065,402	15,374,122
Input VAT	15,415,762	15,877,481
Financial assets at FVTPL	12,675,667	9,726,080
Creditable withholding tax	7,916,319	5,546,478
Derivative assets	389,560	338,612
Deposits in escrow	202,107	239,526
Others	2,713,370	2,569,795
	₱ 77,385,703	₱ 62,932,994
Other noncurrent assets		
Advances to contractors	₱ 9,604,838	₱ 13,664,137
Investment in bonds and other securities		
Financial assets at FVOCI	17,534,476	5,903,496
Financial assets at FVTPL	2,309,440	2,305,402
Deferred charges	6,389,578	11,517,876
Deposits - others	3,040,404	3,330,646
Deferred input VAT	3,417,586	2,045,667
Creditable withholding taxes	1,579,390	2,208,663
Pension assets	54,254	80,596
Others	5,607,341	6,247,046
	₱ 49,537,306	₱ 47,303,529

Other current assets include the following:

a) Input VAT

Input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

- b) Prepaid expenses
Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. ALI's cost to obtain contracts includes prepaid commissions and advances to brokers. In line with ALI Group's accounting policy, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract specific key performance indicators that could trigger variable consideration, or service credits.
- c) Advances to contractors
Advances to contractors represents prepayments for the construction of inventories.
- d) Financial Assets at FVTPL
The Group's financial assets at FVTPL pertain to government securities and other investment securities.
- e) Creditable withholding tax
The Group will be able to apply the creditable withholding taxes against income tax payable.
- f) Deposits in escrow
Deposits in escrow pertain to the proceeds from the sale of ALI Group that have been only granted with a temporary License To Sell (LTS) by the Housing and Land Use Regulatory Board (HLURB). For projects with temporary LTS, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account
- g) Others
This account includes subscriptions receivable related to purchase of VIA shares by Corning Research and Development Corporation aggregating to \$20 million (\$19.6 million net of commissions) in a separate concurrent private placement (see Note 3). This also includes deferred charges, accrued liquidated damages, among others.

Other noncurrent assets include the following:

- a) Advances to contractors
Advances to contractors represents prepayments for the construction of investment properties, property and equipment and service concession assets.
- b) Deferred charges
Deferred charges include ALI's project costs incurred for unlaunched projects of the group, advance rental payments, and noncurrent prepaid management fees. This also includes ALI's noncurrent portion of cost to obtain contracts which includes prepaid commissions and advances to brokers. This also include IMI's tooling items customized based on the specifications of the customers and to be repaid as part of the price of the manufactured items.
- c) Deferred input VAT
Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods.
- d) Investments in Bonds and Other Securities
This account consists of bonds and equity investments, which are classified as financial assets at FVOCI and financial assets at FVTPL.

Investment in Bonds

Investment in bonds pertain to non-interest bearing bonds with a term of 36-months. The Group recorded the investment as financial asset at FVTPL. The fair value of the investment in bonds is

determined using the binomial lattice approach. The fair value of the investment is categorized under Level 3.

Quoted Equity Investments

Quoted equity instruments consist mainly of investments in listed equity securities and golf club shares.

Unquoted Equity Investments

Unquoted equity investments include unlisted preferred shares in public utility companies which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects, water utilities projects, and to its other operations.

e) Deposits - others

This includes deposits and advances for projects which include escrow deposits and security deposits on land leases, electric and water meter deposits.

f) Others

Others pertain to prepayments for expenses that is amortized for more than one year. This also includes restricted cash that is not available for use by the Group.

Increase in other current assets mainly due ALI's higher project advances, CWT and prepayments and BHL's investment in FMI (see Note 3).

Financial Assets at FVTPL

On various dates in April, May and July 2020, AC Energy acquired 194,130,203 shares in Infigen Energy Ltd. (Infigen) which represents 20.00% ownership interest in Infigen. Infigen is an Australia-based renewable energy company that owns, develops and operates renewable energy generation assets. The shares of Infigen are listed and actively traded in the Australian Securities Exchange.

Total cost of the investment amounted to AU\$159.61 million (P5,672.10 million), inclusive of AU\$5.56 million (P197.54 million) directly attributable cost. On September 9, 2020, AC Energy sold its 20.00% ownership interest at AU\$0.92 per share resulting to realized mark-to-market gain of AU\$24.54 million (P867.07 million) booked under Other income. The gain was subjected to corporate income tax of AU\$5.56 million (P197.68 million).

Financial assets at FVOCI

Financial assets at FVOCI includes AC Energy's investment in redeemable preferred shares of UPC Renewables Asia III Ltd., AMI AC Renewables Corporation, BIM Renewable Energy Joint Stock Company, BIM Energy Joint Stock Company, UPC-AC Energy Solar Limited and UPC Sidrap HK Ltd. It also includes convertible loans with UPC-AC Energy Australia HK Ltd., Vietnam Wind Energy Limited, Asian Wind Power 1 HK Ltd. and Asian Wind Power 2 HK Ltd. Increase mainly from these convertible loans and subscription deposits on redeemable preferred shares.

9. Right-of-use Assets and Lease Liabilities

PFRS 16 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. Thus, the Group as lessee is required to recognize right-of-use assets and lease liabilities.

As a lessee, the Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. Under the modified retrospective approach, the Group recognized right-of-use asset based on its carrying amount as if PFRS 16 had always been applied while the lease liability is recognized at date of adoption, January 1, 2019. The difference between the right-of-use asset and lease liability is recognized in the beginning Retained Earnings as at January 1, 2019.

The Group has lease contracts for land, building, warehouses and various items of plant, machinery, vehicles and other equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to the accounting policy for leases prior to January 1, 2019.

Except for short-term leases and leases of low-value assets, upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Lease previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used discount rates to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The rollforward analysis of right-of-use (ROU) assets and lease liabilities follows (in thousands):

	ROU Assets	Lease Liabilities
Beginning balances, January 1, 2020 (Audited)	₱ 18,220,573	₱ 22,381,165
Additions during the year including interest	672,194	330,834
Depreciation	(1,173,672)	
Payments		(1,401,501)
Others	1,052,811	2,202,028
Ending Balance, September 30, 2020 (Unaudited)	₱ 18,771,905	₱ 23,512,526

	ROU Assets	Lease Liabilities
Beginning balances, January 1, 2019	₱ 18,463,568	₱ 21,571,203
Additions during the year including interest	569,765	892,879
Depreciation	(1,401,270)	-
Payments	-	(1,963,807)
Others	588,510	1,880,891
Ending Balance, December 31, 2019 (Audited)	₱ 18,220,573	₱ 22,381,165

For the period ended September 30, 2020, the Group's rental or lease expenses arising from certain contracts and are exempted from PFRS 16 amounted to: from short-term leases - ₱249.2 million, from lease of low value items - ₱4.9 million and from variable lease payments - ₱51.2 million.

10. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of economic ownership as of September 30, 2020 (unaudited) and December 31, 2019 (audited) are as follows:

	% of Economic Ownership			
	September 2020 (Unaudited)	December 2019 (Audited)	September 2020 (Unaudited)	December 2019 (Audited)
Domestic:			(In Millions)	
Bank of the Philippine Islands (BPI)	32.9	32.9	₱ 112,874	₱ 108,440
Liontide Holdings Inc. (LHI)*	78.1	78.1	51,717	49,266
Globe Telecom, Inc. (Globe)*	30.8	30.9	27,213	25,654
Ortigas Land Corporation (OLC) (formerly OCLP Holdings, Inc.)	21.0	21.0	8,672	8,540
AA Thermal, Inc. (AATI)**	40.0	40.0	5,884	5,349
iPeople, Inc. (IPO)**	33.5	33.5	5,158	5,183
Light Rail Manila Holdings, Inc. (LRMHI)	50.0	50.0	4,944	4,595
Philippine Wind Holdings Corporation (Philwind)*	57.0	42.9	4,417	1,662
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	3,953	4,076
ALI-ETON Property Development Corporation*	50.0	50.0	4,451	3,295
AKL Properties, Inc. (AKL)*	50.0	50.0	2,784	2,274
Berkshire Holdings, Inc. (BHI)*	50.0	50.0	1,949	2,003
Bonifacio Land Corporation (BLC)	10.0	10.0	1,432	1,479
Cebu District Property Enterprise, Inc. (CDPEI)*	35.0	35.0	1,426	1,443
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,442	1,427
IE Medica, Inc. (IEM)	49.0	49.0	1,224	1,192
Alveo-Federal Land Communities, Inc.*	50.0	50.0	938	904
BF Jade E-Services Philippines, Inc. (BF Jade/Zalora)	44.7	44.7	771	762
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	49.0	49.0	466	451
Foreign:				
Star Energy Salak-Darajat B.V. (Salak-Darajat) (incorporated in Indonesia)	19.8	19.8	10,877	11,041
Yoma Strategic Holdings, Inc. (YSH) (incorporated in Myanmar)*	14.9	14.9	5,251	5,498
UPC-AC Energy Australia Ltd. (incorporated in Australia)*	50.0	50.0	1,250	1,327
Others	Various	Various	1,258	870
			₱ 260,351	₱ 246,731

* Joint ventures.

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in associates and joint ventures is the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in associates and joint ventures are in proportion to its ownership interest.

The following are financial highlights and significant transactions of associates and joint ventures, part of which affected the Parent Company's investments in its associate and joint venture:

BPI Group

BPI's Consolidated Statements of Condition

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Millions)	
Total Resources	₱ 2,203,004	₱ 2,205,030
Total Liabilities	₱ 1,915,912	₱ 1,931,997
Capital Funds Attributable to the Equity Holders of BPI	283,438	269,576
Capital Funds Attributable to the Noncontrolling Interest	3,653	3,457
Total Liabilities and Capital Funds	₱ 2,203,004	₱ 2,205,030

BPI's Consolidated Statements of Income

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Millions, except earnings per share)	
Interest Income	₱ 74,363	₱ 76,254
Other Income	23,479	22,337
Total Revenues	97,842	98,591
Operating Expenses	36,482	37,089
Interest Expense	19,966	27,589
Impairment Losses	21,062	4,575
Provision for Income Tax	3,031	7,123
Total Expenses	80,541	76,376
Net Income for the Period	₱ 17,301	₱ 22,214
Attributable to:		
Equity Holders of BPI	₱ 17,172	22,031
Noncontrolling Interest	129	184
	₱ 17,301	₱ 22,214
EPS	₱ 3.80	₱ 4.89

- On January 24, 2020, BPI upsized its Bond Offer five-fold to ₱15.3 billion from an initial target size of ₱3 billion, due to strong demand from both retail and institutional investors. The Bonds has been issued, and is now tradable on the Philippine Dealing & Exchange Corp. (PDEX). The issuance is BPI's second peso bond transaction, following its landmark ₱25 billion bond issuance in 2018. The Bonds has an interest rate of 4.2423% p.a. payable quarterly, and a tenor of two (2) years. BPI Capital Corporation (BPI Capital) and Standard Chartered Bank, Philippine Branch (SCB), served as the joint lead arrangers of the bonds. BPI Capital was sole selling agent, while SCB was participating selling agent.
- On March 27, 2020, BPI exceeded its initial target size of ₱5.0 billion for its latest Bond Offer by more than six-fold, reaching ₱33.9 billion due to strong demand from institutional investors as well as high-net-worth and retail clients. The Bonds has been issued, and are now tradable on the PDEX. The Bonds has an interest rate of 4.05% p.a. payable quarterly, and a tenor of one and a half (1½) years. BPI decided to close the offer period last March 6, 2020, 11 days ahead of the original schedule on March 17. This decision was based on the consolidated order book having reached over ₱42.0 billion despite being priced at the tightest end of the indicative pricing range. BPI Capital and ING Bank N.V., Manila Branch (ING), served as the joint lead arrangers of the bonds. BPI Capital was sole selling agent, while ING was participating selling agent.
- On July 8, 2020, the Bank concluded the offer period of its CARE Bonds, more than a week ahead of original schedule as subscriptions in support of the country's maiden COVID response bonds

exceeded the initially planned issue size of P3.0 billion. The CARE Bonds have a tenor of 1.75 years and an interest rate of 3.05% p.a., paid quarterly.

SEC encouraged issuers to explore the social bond market to help the country recover from the pandemic and confirmed that the BPI CARE Bonds qualify as Social Bonds under the ASEAN Social Bonds Standards.

- d) COVID-19 and the resulting community quarantine continue to pose a challenge to BPI- in personnel health and safety, and in continuing operations with a significant portion of the workforce on work-from-home arrangement. Nevertheless, BPI's strategic initiatives on digitalization, improvements on IT infrastructure and cybersecurity technology, and availability of business recovery sites enabled the continued delivery of products and services to its customers. BPI remains operational thru split operations, skeleton workforce, activation of alternate work sites and/or mobility areas to improve accessibility, mobility program for certain employees equipped with adequate tools. These allowed BPI to lessen the density in the offices and branches yet fully complying with health and safety protocols. For personnel, BPI fully complied with health and medical guidelines from the DOH and DOLE. Additional precautionary measures are being implemented that include providing transportation for employees, enforcing virtual meetings and limiting movements of personnel within and across its business offices. COVID-19 rapid testing for all employees and maintenance personnel were likewise carried out.

On the financial performance front, BPI's bottomline was hit as of Q3 of the year as it booked ₱21.1 billion in impairment provisions for non-performing loans (see Section 2). This provision is 4.6x higher than the ₱4.6 billion taken up in the same period last year. While additional expenses are expected due to the COVID-19 situation, BPI is sufficiently capitalized and has more than adequate reserves for operational risk events.

- e) The fair value of BPI shares held by the Parent Company amounted to ₱94.9 billion and ₱130.4 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. The effective voting rights held by the Group in BPI as of September 30, 2020 (unaudited) and December 31, 2019 (audited) is equal to 49.7% and 49.8%, respectively.
- f) The Parent Company's share in the net identifiable assets of BPI amounted to ₱94.4 billion as of September 30, 2020 (unaudited). The dividends received from BPI amounted to ₱1.3 billion for the period ended September 30, 2020 and 2019 (both unaudited).

LHI

- a) As of September 30, 2020, the Parent Company's direct ownership in LHI is equal to 78.1%, while LHI's direct ownership in BPI is equal to 20.0%. The fair value of BPI shares held by LHI amounted to ₱57.9 billion and ₱79.5 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. The Parent Company and GIC Special Investments Pte. Ltd., the entity controlling Arran Investment Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

Globe Group

Globe's Consolidated Statements of Financial Position

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Millions)	
Current Assets	₱ 91,043	₱ 61,739
Noncurrent Assets	252,838	242,551
Total Assets	₱ 343,881	₱ 304,291
Current Liabilities	₱ 82,450	₱ 84,577
Noncurrent Liabilities	175,003	138,467
Equity Attributable to Equity Holders of the Parent	86,262	81,112
Equity Attributable to Noncontrolling Interest	165	135
Total Liabilities and Equity	₱ 343,881	₱ 304,291

Globe's Consolidated Statements of Income

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Millions, except earnings per share)	
Revenues	₱ 119,593	₱ 123,418
Other Income (Losses)	47	(726)
Total Revenues	119,640	122,692
Costs and Expenses	96,210	96,658
Provision for Income Tax	7,541	8,350
Total Expenses	103,752	105,008
Net Income	₱ 15,888	₱ 17,684
Total Net Income Attributable to:		
Equity Holders of the Parent	₱ 15,870	17,683
Noncontrolling Interest	18	1
Net Income	₱ 15,888	₱ 17,684
EPS:		
Basic	₱ 115.93	₱ 129.61
Diluted	₱ 115.53	₱ 128.97

- a) On January 17, 2020, Globe Telecom, Dito Telecommunity and Smart Communications incorporated a joint venture company, Telecommunications Connectivity, Inc. (TCI) in line with the new mobile number portability initiative of the government under RA 11202 also known as the "Mobile Number Portability Act" (the MNP Act).

TCI is expected to bring in the technical infrastructure to fulfill its primary function as a clearinghouse for the three mobile operators to ensure the smooth implementation of number porting services.

On January 20, 2020, Globe received the approval of the SEC on the incorporation of Telecommunications Connectivity Inc. The Globe Group invested ₱10.00 million for 33.33% ownership TCI.

- b) On February 3, 2020, the Globe BOD approved the declaration of the first quarter cash dividend of ₱27 per common share, payable to common stockholders of record as of February 17, 2020. Total dividends amounting to ₱3.6 billion were paid on March 4, 2020.

On May 5, 2020, the BOD approved the declaration of the second quarter cash dividend of ₱24.83 per common share, payable to common stockholders of record as of May 18, 2020. Total dividends amounting to ₱3.30 billion were paid on June 3, 2020.

On the same date, the BOD approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of July 28, 2020. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500 per share on a 30/360 day basis for the six-month dividend period. Total amount of the cash dividend was paid on August 24, 2020.

On August 3, 2020, the BOD approved the declaration of the second quarter cash dividend of ₱24.83 per common share, payable to common stockholders of record as of August 17, 2020. Total dividends amounting to ₱3.3 billion were paid on September 2, 2020.

- c) On July 16, 2020, Globe Telecom successfully priced a USD 300 million 10-year and USD 300 million 15-year US dollar-denominated senior notes with a coupon rate of 2.5% and 3.0%, respectively.

The notes are unrated and have been listed on the Singapore Exchange Securities Trading Limited on July 24, 2020. The net proceeds from the issue of the notes will be used to finance Globe's capital expenditures, refinance maturing and/or existing obligations, and for general corporate requirements.

- d) On August 17, 2020, GTI Business Holdings, Inc. (GTI) entered into a SPA for the acquisition of 67% of Third Pillar Business Applications, Inc. (TPBAI). TPBAI, organized under the laws of the Philippines, is engaged in systems integration, license reselling, and data management services. TPBAI previously owns 11% of Third Pillar Global Delivery Center Inc. (TPGDC). GTI's acquisition of TPBAI also mandated TPBAI's acquisition of the remaining 89% ownership of TPGDC making TPBAI the sole owner of TPGDC. TPGDC is engaged in software implementation and maintenance services and the outsourcing arm of TPBAI.
- e) On July 30, 2020, GTI incorporated Caelum Pacific Corp. (Caelum Pacific), a wholly owned subsidiary, organized under the laws of the Philippines for the purpose of providing technical consulting and IT related services. On July 31, 2020, Caelum US Holdings Inc. (Caelum US), a wholly owned subsidiary of Caelum Pacific, was incorporated under the laws of the state of Delaware as holding company. On August 3, 2020, Caelum Northwest Corp. (Caelum Northwest), a wholly owned subsidiary of Caelum US, was incorporated under the laws of the state of Washington for the purpose of customized cloud software development and providing cloud consulting services.
- f) The Covid 19 pandemic and ECQ saw the Globe Group, as a telecommunications company, deemed to be an essential business and continued to provide telecommunication services to its subscribers. Nonetheless, the Globe experienced business disruptions brought about by the community quarantine which include full work from home operations with critical skeletal force in place, suspension of Globe store operations, limitations in employee resources, slowdown in wireless and wireline network build activities, and supply chain disruptions, among others. At the onset of GCQ, certain Globe stores were reopened to jumpstart acquisition efforts and serve its customers' mobile and internet needs with strict adherence to government's health and safety protocols. It also provided basic assistance including providing rapid anti-body testing to its critical skeleton workforce who kept back-end operating systems including the Globe network fully operational.

Globe ensured support to its customers and the nation through the pandemic. Globe was able to come up with over Php1.3 billion in combined services and assistance package for COVID-19 which covered employees and vendor partners, services and promos, external fund-raising efforts, and monetary and in-kind donations. There were numerous support services and promos offered by Globe to assist both the government and its customers ranging from toll-free hotlines and zero-rated access to select government websites and relevant apps, increased data allocation to customers, free unlimited WiFi services to hospitals, airports, and supermarkets, free or discounted access to work-from-home tools for businesses, free telehealth, and mental health services, free

preloaded mobile phones for hospital and government frontliners, and free SMS broadcast, among others. Globe launched donation drives to help frontliners, hospitals, and relevant government and non-government organizations. Likewise, the company provided financial assistance for the conversion of the World Trade Center into a temporary healthcare facility and for the provision of relief packs for underprivileged communities. Globe has also been working closely with the Department of Education to assist the sector through low cost data plans and devices as well as teacher training, online platforms and mental health support.

Globe provided further support to customers like postpaid customers, including enterprise customers nationwide, being given an option to enroll to installment payment program on certain period for their unpaid bills, allow borrowing of loads for certain customers, providing emergency services, supported its business clients implement the work-from-home arrangement for their employees, among others. In addition, Mynt's GCash, Globe's fintech arm, has powered the national government's Social Amelioration Program (SAP), allowing beneficiaries to use their GCash wallets to receive their financial assistance from the Department of Social Welfare and Development (DSWD). GCash is also processing the financial aid of certain local governments of Makati, Quezon City, and Pasig to disburse their own supplemental cash assistance to their residents. Finally, Globe is continuously looking for ways to make life easier for Filipinos who are still adjusting to the new normal like introduction of KonsultaMD telehealth services for medical consultation anytime and anywhere.

Meanwhile, the pandemic has similarly impacted the financial performance of Globe as it booked significant provisions for accumulated uncollected receivables, mostly on postpaid accounts, amounting to P5.0 billion as of Q3 2020 - almost double from P3.3 billion taken up in same period last year. While the Globe Group expects that this matter may cause further interruptions, the extent to which it may impact the results of operations, financial condition, and cash flows cannot be ascertained as of date as it depends on future developments which are highly uncertain.

- g) The fair value of Globe shares held by the Parent Company amounted to ₱85.6 billion and ₱83.1 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. The effective voting rights held by the Group in Globe as of September 30, 2020 and December 31, 2019 is equal to 46.7%.
- h) The Parent Company's share in the net identifiable assets of Globe amounted to ₱26.7 billion as of September 30, 2020 (unaudited). The dividends received from Globe amounted to ₱3.2 billion and ₱2.8 billion for the period ended September 30, 2020 and 2019 (both unaudited), respectively.

IPO

- a) The education sector was significantly hit by the pandemic and ECQ. The suspension of classes that started on March 09, 2020 and the declaration of the ECQ in various municipalities and regions in the Philippines effective March 15, 2020 covered the Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila. Disruptions to the operations of IPO and its schools during and beyond the quarantine period will be mitigated with the utilization of alternatives means to continue the students' academic work, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

The health, social and economic effects COVID-19 will have material impact on the 2020 consolidated financial results and even periods thereafter. Considering the evolving nature of this pandemic, the IPO Group is evaluating in a continuing process the impact to its financial position, performance and cash flows. However, the IPO Group at this time cannot yet determine with certainty the impact to its financial position. The IPO Group will continue to monitor the situation

- b) IPO's subsidiary Malayan Education System, Inc. (MESI) (operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. The construction of the new campus is on track for completion in time for the Academic Year 2020-2021. The total project is estimated at around ₱2.5 billion and will be funded partially by debt. Except for the

construction of new campus of MESI, there is no material commitment on capital expenditures other than those performed in ordinary course of trade of business.

- c) On March 27, 2020, the BOD of IPO declared cash dividends of ₱0.070143 per share to stockholders of record as of April 14, 2020, paid on May 8, 2020.
- d) The fair value of IPO shares held by the Parent Company amounted to ₱2.6 billion and ₱3.3 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. The effective voting rights held by the Group in IPO as of September 30, 2020 and December 31, 2019 is equal to 33.5%. The dividends received from IPO amounted to ₱24.5 million and ₱4.8 million for the period ended September 30, 2020 and 2019 (both unaudited).

PhilWind

- a) The investment in PhilWind is accounted for as investments in joint ventures as the relevant activities of PhilWind and NLREC require the unanimous consent of the stockholders. PhilWind is one of the entities acquired by ACEN from AC Energy under the share swap.

Joint venture with Axia Power Holdings Philippines

- a) ACEN and ACE Endeavor signed a Shareholders' Agreement (the Agreement) with APHPC, a subsidiary of Marubeni Corporation, for the development, construction and operation of the 150 megawatt (MW) diesel power plant project in Pililla, Rizal (the Ingrid Project), which is expected to be operational in the first quarter of 2021.

Under the Agreement, Axia will acquire 50% of the shares and 50% of the economic rights in ACEN's subsidiary Ingrid Power Holdings, Inc. (Ingrid), the special purpose vehicle of the Ingrid Project, while the Company will hold 50% shares and 45% of the economic rights, with ACE Endeavor having a 5% share of the economic rights in Ingrid. The joint venture is subject to the approval of the Philippine Competition Commission.

Ingrid and ACE Endeavor were among the AC Energy's subsidiaries acquired by ACEN in exchange for ACEN shares. As of September 2020, ACEN has infused ₱649.00 million into Ingrid to fund the Ingrid Project.

11. Intangible Assets and Deferred Tax Assets

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Intangible assets	₱ 19,005,106	₱ 16,625,926
Deferred tax assets - net	₱ 13,712,706	₱ 14,246,325

Intangible assets include goodwill, customer relationships, unpatented technology, intellectual properties, developed software, licenses, trademarks, project development cost, leasehold and other rights.

Deferred tax assets (DTA) includes DTA on difference between tax and book basis of accounting for real estate transactions, lease liability, accrued expense, among others.

Increase in intangible assets pertains to goodwill on acquisition of AC Health's Healthway and AC Energy's Sacasol and Islasol (see Note 3).

12. Investment Properties and Property, Plant and Equipment

	September 2020 (Unaudited)	December 2019 (Audited)
(In Thousands)		
Investment Properties	₱ 241,628,578	₱ 246,732,338
Property, plant and equipment - net	₱ 91,716,357	₱ 88,781,755

Investment properties

- a) Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its own use and benefit.
- b) Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

The account includes Investment in Land, ₱81,926.4 million and ₱89,040.8 million as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively; Investment in Building, ₱94,427.8 million and ₱93,145.0 million as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively; and Construction-in-Progress, ₱65,274.4 million and ₱64,546.5 million as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively; net of accumulated depreciation and amortization and impairment loss.

Property, plant and equipment

Property, plant and equipment includes land, buildings and improvement, plant machinery and equipment, hotel property and equipment, furniture and fixtures, transportation and construction in progress.

Total additions to Property, Plant and Equipment and Investment Properties amounted to ₱8.4 billion and ₱4.9 billion, respectively, for the period September 30, 2020. Meanwhile proceeds from disposal of Property, Plant and Equipment and Investment properties amounted to ₱510.2 million for the same period.

The Group recognized gains from disposal and retirement of certain machineries and facilities equipment, furniture and fixtures, and tools and instruments and booked under Other income account.

Increase in property, plant and equipment came from AC Energy's consolidation of Islasol and Sacasol entities (see Note 3).

13. Service Concession Assets and Service Concession Obligation

Service Concession Assets (SCA)

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, of the Parent Company, MWC, Laguna Water, Boracay Water, Clark Water, Obando Water, Calasiao Water, Bulakan Water, South Luzon Water, and Lambunao Water, pursuant to the Group's concession agreements and joint venture agreements; and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements and joint venture agreements.

The Parent Company has a concession agreement with the DPWH while the MWC Group has concession agreements with MWSS, PGL, TIEZA, CDC, OWD, CWD, PAGWAD, TnWD, and BuWD. These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period.

Contract assets arising from concession agreements consist of the cost of rehabilitation works covered by the concession agreements of the Parent Company, MWC, Laguna Water, Boracay Water, Clark Water, Cebu Water, Obando Water, Bulakan Water, South Luzon Water, Tagum Water and Calasiao Water.

MWC Water Supply Shortage

In March 2019, the large decline in La Mesa dam water levels caused water service availability in the East Zone to drop significantly, reaching its lowest level at about 68.5 meters in April 2019. In response to the effect of the water supply shortage to customers of the East Zone, on March 26, 2019, MWC announced a voluntary one-time Bill Waiver Program to be implemented in April 2019 to help alleviate the inconvenience of all customers and to assist those severely affected by the water supply shortage.

In April 2019, MWSS Board of Trustees (MWSS BOT) (MWSS Resolution No. 2019-055-CO and MWSS Resolution No. 2019-056-CO) imposed a financial penalty of ₱534.05 million on MWC for its failure to meet its service obligation to provide 24/7 water supply to its customers. While the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS, MWC has abided by the decision of MWSS to pay the financial penalty of ₱534.05 million even as it assumes no liability on the basis of the penalty as MWC was not the root cause of the water supply shortage. Pursuant to the directive of the MWSS RO, the ₱534.05 million financial penalty was distributed to the East Zone customers through rebates wherein all connections as of September 30, 2019 received a minimum rebate equivalent to their first 10 cubic meters or ₱153.93 each while identified severely affected accounts received an additional rebate of ₱2,197.94 each.

Supreme Court Decision in Relation to the Philippine Clean Water Act of 2004

This case arose from a complaint filed by the OIC Regional Director Roberto D. Sheen of the Environmental Management Bureau-National Capital Region (EMB-NCR) before the Pollution Adjudication Board (PAB) against MWC, Maynilad, and MWSS for alleged violation of Philippine Clean Water Act of 2004 (RA No. 9275, the "Clean Water Act"), particularly the five (5)-year deadline imposed in Section 8 thereof for connecting the existing sewage line found in all subdivisions, condominiums, commercial centers, hotels, sports and recreational facilities, hospitals, market places, public buildings, industrial complex and other similar establishments including households, to an available sewerage system. Two (2) similar complaints against Maynilad and MWSS were consolidated with this case.

On September 18, 2019, MWC received a copy of the Decision of the Supreme Court on the case 'Manila Water Company, Inc. vs. The Secretary of the Department of Environment and Natural Resources, et.al.' with G.R. No. 206823 and promulgated on August 6, 2019. In the Decision, the Supreme Court found MWC liable for fines in violation of Section 8 of the Clean Water Act in the following manner:

- a. MWC shall be jointly and severally liable with MWSS for the total amount of ₱921.46 million covering the period starting from May 7, 2009 to the date of promulgation of the Decision, August 6, 2019, to be paid within fifteen (15) days from finality of the Decision.
- b. From finality of the Decision until full payment of the ₱921.46 million fine, MWC shall be fined in the initial amount of ₱322,102.00 per day, subject to a further 10.00% increase every two (2) years as provided under Section 28 of the Clean Water Act, until full compliance with Section 8 of the same law.
- c. The total amount of fines imposed by the Decision shall earn legal interest of six percent (6.00%) per annum from finality and until full satisfaction thereof.

On October 2, 2019, MWC filed a Motion for Reconsideration with the Supreme Court.

On July 1, 2020, MWC received a copy of the Consolidated Comment (on the separate Motions for Reconsideration filed by petitioners MWSS, Maynilad Water Services, Inc. and MWC) filed by the Office of the Solicitor General in behalf of the adverse parties.

On August 17, 2020, MWC filed with the Supreme Court a Motion for Leave to file and admit its Reply.

On November 3, 2020, MWC received a Resolution dated September 8, 2020 issued by the Supreme Court, which relevantly (1) noted the Consolidated Comment; (2) granted the Motion for Leave and Admit Attached Reply; and (3) noted the Reply filed by MWC.

Variation Order

On February 25, 2013, the DPWH sent a Variation Notice to Pertconsult International, the Project's Independent Consultant (IC), instructing the IC to advise the Parent Company to submit a request for Prior Clearance and Variation Proposal in connection with TRB's directive to include in the Project's design a provision for future expansion of SLEX to accommodate possible fifth lane for both directions at the Filinvest to Susana Heights Section. IC, in its letter to the Project's Management Consultant dated March 4, 2013, effectively directed the Parent Company to comply with the DPWH letter dated February 25, 2013.

Such proposal was made in accordance with the Concession Agreement which provides that in the event the DPWH initiates a variation, the Parent Company as concessionaire, shall prepare a proposal setting out the necessary details and additional cost estimates.

On April 10, 2014, the Parent Company submitted a variation proposal to the DPWH and sought for approval of (1) Direct payment of the construction cost for the works related to the provisioning of the SLEX future expansion amounting to ₱251.2 million inclusive of VAT and (2) Extension of the concession period by 3 ½ years due to the delays encountered as a result of the variation order.

DPWH, in its letter to IC dated February 6, 2015, advised the same that it has issued the approved Prior Clearance/Authority to Issue Variation Order No. 1 with a cap of ₱223.0 million.

On May 27, 2015, the DPWH approved the adjusted cost of the variation order in the amount of ₱223.0 million (which was rectified by the Bureau of Construction) variation proposal and endorsed it to the National Economic and Development Authority (NEDA) for information and appropriate action. Accordingly, the Parent Company reclassified the amount of ₱223.0 million from service concession account to receivables from the Government upon DPWH's approval of the variation order.

NEDA in its meeting held on July 15, 2015 confirmed the recommendation of the variation order.

On May 31, 2016, variation order for the project amounting to ₱16.6 million was reclassified to SCA under investment in toll road. Also, various reimbursement for expenses incurred during the acquisition of the right of way amounting to ₱1.1 million was received from the DPWH under the Reimbursement Agreement.

On November 21, 2016, the IC recommended to the DPWH that a Certificate of Final Completion be issued for the project. Subsequently, DPWH, in its letter dated December 21, 2016, issued the certificate of completion. As of September 30, 2020 (unaudited) and December 31, 2019 (audited), the Parent Company's other receivables includes receivable from DPWH amounting to ₱215.9 million pertaining to variation order and reimbursement of right-of-way acquisition claims.

Service Concession Obligation

Provision for maintenance obligation of MCX

Provision for maintenance obligation pertains to the present value of the estimated contractual obligations of the Parent Company to undertake the financing of the Project's periodic maintenance, which includes renewal and restoration of toll roads and toll road facilities prior to turnover of the asset to DPWH, the grantor.

Under the Minimum Performance Standards and Specifications (MPSS), the Parent Company has the obligation to perform routine and periodic maintenance. Routine maintenance pertains to day-to-day activities to maintain the road infrastructures while periodic maintenance comprises of preventive activities against major defects and reconstruction. Moreover, the Parent Company is required to perform maintenance and repair work in a manner that complies with the MPSS once it hands the asset back to the DPWH. The provision is a product of the best estimate of the expenditure required to settle the obligation based on the usage of the road during the operating phase. The amount is reduced by the actual obligations paid for heavy maintenance of the SCA.

MWSS Concession Fees

The aggregate concession fees of MWC pursuant to the concession agreement are equal to the sum of the following:

- a. 10% of the aggregate peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;
- b. 10% of the aggregate peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;
- c. 10% of the local component costs and cost overruns related to the UATP;
- d. 100% of the aggregate peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by MWC for continuation; and
- e. 100% of the local component costs and cost overruns related to existing projects;
- f. MWC's share in the repayment of MWSS loan for the financing of new projects; and
- g. One-half of MWSS annual corporate budget.

14. Accounts Payable and Accrued Expenses

This account consists of the following:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Accounts payable	₱ 103,051,712	₱ 104,887,772
Accrued expenses		
Project costs	13,617,377	18,269,215
Personnel costs	9,468,696	8,615,806
Professional and management fees	2,986,087	4,303,302
Rental and utilities	1,348,011	3,665,886
Repairs and maintenance	2,174,515	2,059,901
Advertising and promotions	1,213,198	1,418,548
Various operating expenses	2,009,281	5,679,697
Taxes payable	24,008,512	23,436,568
Liability for purchased land	11,162,890	9,936,887
Retentions payable	4,995,835	4,190,350
Interest payable	2,291,160	3,371,968
Related parties (Note 23)	1,024,522	1,084,061
Dividends payable	749,131	4,496,286
DRP Obligation	350,000	-
	₱ 180,450,927	₱ 195,416,247

Accounts payable and accrued expenses are non-interest bearing and are normally settled on 15- to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

Accrued various operating expenses include accruals for supplies, commissions, transportation and travel, insurance, representation, dues and fees and others.

Project costs represent accrual for direct costs associated with the commercial, residential and industrial project development and construction like engineering, design works, contract cost of labor and direct materials.

Taxes payable consists of net output VAT, withholding taxes, business taxes, capital gains tax and other statutory payables, which are due within one year.

Retentions payable pertains to the amount withheld by ALI Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

Decrease mainly due to restricted operations in the current year plus settlement of outstanding suppliers' and contractors' accounts, lower customer deposits and AC's dividend payment. These were partly offset by impact of consolidation of Islasol and Sacasol entities under AC Energy (see Note 3).

15. Other Current and Noncurrent Liabilities

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Other current liabilities	₱ 20,539,025	₱ 28,394,709
Other noncurrent liabilities	₱ 58,396,053	₱ 48,447,370

Other current liabilities include the following:

- Deposits pertain to security and customers' deposits. Security deposits are equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.
- Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.
- Financial liabilities on put option relate to the acquisition of VIA, STI and C-CON.
The put options of VIA pertain to the right of the non-controlling shareholder to sell to IMI a portion of its shareholding that is approximately 5% of the issued and outstanding nominal share capital of VIA within the first and third anniversary of the agreement (5% put option) and all remaining shares held by the non-controlling shareholder upon the happening of certain trigger events (exit put options). The 5% put option is exercisable any time between the 1st and 3rd anniversary of the agreement or if prior to the 3rd anniversary, the share capital of VIA is increased, the 5% put option may be exercised within three months from registration of the capital increase. The exit put options are exercisable when there is a termination for a cause of the service agreement or the share capital of VIA is increased that will dilute the holding of non-controlling interest to below 10%.

The put options of VIA was terminated upon IPO and balance of \$15 million was reverted to equity under Additional paid-in capital account of IMI (see Notes 3 and 17).

The put option of STI pertains to the right of the non-controlling shareholder to sell to IMI all noncontrolling interests held upon the happening of certain trigger events as specified in the shareholders agreement. The put option of STI is exercisable during the period commencing upon the earlier of: (1) No Fault Leaver Event (i.e., First Founder of STI ceases to be an employee of a member of the STI Group) occurring in respect of a Founder, (2) the aggregate relevant proportion of the Founders falling to less than 5%, or (3) the fifth anniversary of the service agreement. Mark-to-market gains (loss) on put options included under Other income account amounted to \$7.98 million and \$3.64 million for the period September 30, 2020 and 2019, respectively.

Minority shareholder of C-CON Group have the right to require MT Technologies to purchase and acquire all its shares. The option can be exercised after the holding period, which is defined as the 8th anniversary year after the acquisition date, April 1, 2019. Based on the management's judgment, the put options will be exercise by the minority shareholders on April 1, 2027 or the 8th anniversary year after the acquisition date.

Other noncurrent liabilities include the following:

a) Deposits and deferred credits

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three (3) to six (6) months' rent of long-term tenants with non-cancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. This also includes customers' deposits which consist of excess of collections over the recognized receivables based on percentage of completion. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by ALI Group for the processing of title are charged to this account.

Customers' deposits consist of excess of collections over the recognized receivables based on percentage of completion.

b) Contractors payable

Contractors payable represents accrued costs incurred for property development that are not yet billed.

c) Retentions payable

Retentions payable pertains to amount withheld by the Group from the contractors' billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in projects requiring rework.

d) Liability for purchased land

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

e) Deferred output VAT

Deferred output VAT pertains to output VAT on receivables for which sales recognition has been deferred based on sales collection threshold for VAT recognition purposes.

f) Subscriptions payable

Subscription payable mainly pertains to ALLHC's investment in Cyber Bay.

g) Provisions

Provisions relate to pending unresolved claims and assessments (see Note 13).

h) Others

Others include nontrade payables.

Decrease in other current liabilities mainly due to lower rental deposits/ advance payments and reservation fees impacted by ECQ; while the movement in other noncurrent liabilities was attributable to ALI's higher deferred revenues on residential units and customers deposits.

16. Short-term and Long-term Debt

These accounts consist of the following:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Short-term debt - Subsidiaries:		
Philippine peso with various interest rates	₱ 40,035,705	₱ 23,176,325
Foreign currency with various interest rates	11,177,083	6,612,318
	₱ 51,212,788	₱ 29,788,643
Long-term debt:		
The Parent Company:		
Bank loans with various interest rates	₱ 35,215,153	₱ 25,833,141
Bonds	39,746,088	39,710,925
	74,961,241	65,544,066
Subsidiaries:		
Loans from banks & other institutions:		
Philippine Peso with various interest rates	71,686,655	92,218,214
Foreign currency with various interest rates	16,692,165	15,557,079
Bonds	129,974,958	113,918,667
Fixed for life bonds	57,913,480	60,544,798
Green bonds	22,748,380	20,727,418
Fixed Rate Corporate Notes (FXCNs)	6,961,501	7,039,272
	305,977,139	310,005,448
	380,938,380	375,549,514
Less current portion	27,712,894	23,878,725
Non-current portion	₱ 353,225,486	₱ 351,670,789

As of September 30, 2020 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱250.1 billion which consists mainly of proceeds from bonds and loans of Ayala (₱10.0 billion), ALI (₱172.8 billion), MWC (₱38.8 billion), IMI (₱4.5 billion), AC Energy (₱13.7 billion), AYCFL (₱7.0 billion), ACI (₱2.0 billion) and AC Infra (₱1.0 billion), while payments of short-term and long-term debt amounted to ₱194.4 billion which mainly pertains to loan payment of ALI (₱173.6 billion), MWC (₱14.3 billion) and IMI (₱5.3 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱36.7 billion and ₱46.0 billion as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 23). Interest expense incurred from these debts amounted to ₱598.7 million and ₱941.0 million for the period ending September 30, 2020 and 2019 (both unaudited), respectively (see Note 23).

Loans availed during September 30, 2020 have varying interest rates and maturity dates. Proceeds of loans were used for operating requirements, capital expenditures and certain investment acquisitions (see Note 3).

Parent Company

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term	Interest Rate	Principal Amount (In Thousands)	Carrying Value (In Thousands)		Features
				September 2020 (Unaudited)	December 2019 (Audited)	
2011	10 years	6.800%	₱ 9,903,400	₱ 9,895,292	₱ 9,885,752	20% balance puttable on the 5 th anniversary of the issue date; balance puttable on the 8 th anniversary issue date
2012	15 years	6.875%	10,000,000	9,957,460	9,952,651	Callable from the 10 th anniversary issue until every year thereafter until the 14 th anniversary issue date
2016	7 years	3.920%	10,000,000	9,954,289	9,942,735	Callable from the 5.5 th anniversary issue until every year thereafter until the 7 th anniversary issue date
2017	8 years	4.820%	10,000,000	9,939,047	9,929,787	Callable from the 6.5 th anniversary issue until every year thereafter
			₱ 39,903,400	₱ 39,746,088	₱ 39,710,925	

The outstanding Peso bonds of the Parent Company have been rated “PRS Aaa” by PhilRatings.

ALI

In compliance with BSP rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱20,160.2 million and ₱24,416.9 million as of September 30, 2020 and December 31, 2019 are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Peso-denominated short-term loans had a weighted average cost of 4.23% and 4.98% per annum for the first nine months ending September 30, 2020 and for the year ending December 31, 2019, respectively.

On February 20, 2020, the ALI's BOD approved the raising of up to ₱10 billion through the issuance of retail bonds under its current Shelf Registration program and will be listed on the Philippine Dealing and Exchange Corporation (PDEX) to partially finance general corporate requirements and to refinance maturing loans.

On May 26, 2020, the BOD during its meeting approved the raising of up to ₱19 billion through the issuance of retail bonds and/or corporate notes for listing on PDEX, and/or bilateral term loans for the purpose of refinancing outstanding loans.

On September 29, 2020, ALI listed on PDEX ₱6.25 billion fixed rate bonds due 2025, the fifth tranche of ALI's ₱50-billion shelf program. The 5-year bond was priced at 3.862% with quarterly coupon payments to holders of the issuance.

₱10-billion 2-year fixed-rate bond listing

On June 26, 2020, ALI listed its ₱10-billion, 2-year fixed-rate bonds due 2022 with a coupon rate of 3.00% per annum on the PDEX, through its first virtually held listing ceremony on June 26. The bond was strongly received and was 1.75x oversubscribed, enabling ALI to increase the issue size from ₱6 billion to a total of ₱10 billion. ALI is the first non-bank corporate to issue fixed rate bonds in the local market since the country was placed under community quarantine.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022

In April 2012, ALI issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. PhilRatings assigned a PRS Aaa rating on the bonds indicating that it has the

smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings' rating scales for long-term issuances. ALI fully paid the ₱9,350.0 million bond in April 2019.

Philippine Peso 5-year and 10-year and 6-month Bonds due 2024

In July 2013, ALI issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP. In 2019, ALI issued a total of ₱3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.758% p.a. under its new shelf registration. PhilRatings assigned a PRS Aaa rating on the bonds.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033

In October 2013, ALI issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to ALI's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 11-year Bonds due 2025

In April 2014, ALI issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022

In April 2015, ALI issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025

In April 2016, ALI issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under ALI's ₱50,000.0 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7-year and 10-year Bonds due 2026

In March 2016, ALI issued a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under ALI's ₱50,000 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings. In May 2019, ALI issued an ₱8,000.0 million fixed rate bond due 2026 at a rate equivalent to 6.369% p.a. The Bonds represent the first tranche of debt securities issued under ALI's new ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 3-Year Homestarter Bond due 2019 and 7-year Bonds due 2023

In October 2016, ALI issued a total of ₱10,000.0 million bonds, broken down into a ₱3,000.0 million Homestarter bond due 2019 at a fixed rate of 3.0% p.a. and a ₱7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.8915% p.a. The Bonds represent the first tranche of Homestarter Bonds series and the third tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In 2017, ALI paid ₱9.1 million as an early down payment of the outstanding 3-Year Homestarter Bond. In 2018, ALI paid ₱8.4 million as an early down payment of the outstanding 3-Year Homestarter Bond. ALI fully paid the remaining Homestarter Bond on October 21 and December 23, 2019.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027

In May 2017, ALI issued a ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.2624% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In November 2019, ALI issued a

₱1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.9899 % p.a. This was the third tranche of bonds issued under the new P50,000.0 million shelf registration of ALI. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028

In April 2018, ALI issued a ₱10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.9203% p.a. and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.9203% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2023

In October 2018, ALI issued a ₱8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.0239% p.a. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under ALI's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 2-year Bonds due 2021

In November 2019, ALI issued a ₱9,000.0 million fixed rate bond due 2021 at a rate equivalent to 4.2463% p.a. The Bonds form part of the third tranche of debt securities issued under ALI's new ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEX. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021

In September 2014, Cebu Holdings, Inc., a subsidiary of ALI, issued a total of ₱5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.32% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AYCFL

2019 US\$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (Fixed For Life)

On October 23, 2019, the Parent Company announced that it had successfully set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate principal amount of US\$400 million (₱20,118.9 million) with a fixed coupon of 4.850% for life with no step-up and no reset, payable semi-annually. The bonds will be issued by AYCFL and will be unconditionally and irrevocably guaranteed by the Parent Company. The bonds were priced at par with a re-offer yield of 4.850%, reflecting a 27.5 basis points compression from the initial price guidance. The final order book was over four times oversubscribed with the order book allocated predominantly to Asia, with the rest to Europe, reflecting the strong investors' confidence in the Ayala name. By investor type, more than half of the offering was allocated to fund managers, insurance companies and pension funds, around one-quarter to banks and financial institutions and the remainder to private banks. The transaction was settled on October 30, 2019.

2017 US\$400.0 Million Senior Unsecured and Guaranteed Fixed For Life Perpetual Notes (Notes)

On September 7, 2017, the Parent Company announced that AYCFL had successfully set the terms of a US dollar-denominated fixed-for-life (non-deferrable) senior perpetual issuance at an aggregate principal amount of US\$400 million (₱20,171.9 million) with an annual coupon of 5.125% for life with no step-up. The issuance is the first corporate fixed-for-life with no coupon step-up in Southeast Asia and the first fixed-for-life with no step-up (and reset) deal in the Philippines. The issuer, AYCFL, may redeem the Notes in whole but not in part on September 13, 2022 (first redemption date) or any interest payment date falling after the first redemption date at 100% of the principal amount of the Notes plus any accrued but unpaid interest. The proceeds of the issuance will be used to refinance the issuer's US Dollar maturing obligations and to fund investments of the Guarantor (the Parent Company) or its offshore subsidiaries.

The pricing of the Notes reflected a 50-basis point compression from initial price guidance. The offering was more than five times oversubscribed, with investors' confidence reflecting the high quality of the Ayala signature. 19% of the order book for the Notes was allocated to investors from the Philippines,

10% from Europe with the remaining 71% from rest of Asia. By investor type, the split was 67% to fund/asset managers, 12% to banks, 7% to insurance and pension funds, and the remaining 14% to private banks and other investors. The Notes was settled on September 13, 2017 and was listed in the Singapore Exchange Securities Trading Limited on September 14, 2017.

The Group accounts for this as liability, and, thus shown forming part of long-term debt as of September 30, 2020 and December 31, 2019. The cost of issuance is at US\$2.7 million resulting in net proceeds of US\$397.3 million.

AC Energy

Green Bonds

On January 29, 2019, AC Energy, through its wholly-owned subsidiary (ACEFIL issued US dollar-denominated senior Green Bonds (Bonds) at an aggregate principal amount of US\$225 million with a 5-year tenor and a coupon of 4.75% per annum, priced at 99.451. The Bonds were successfully listed in the Singapore Exchange on January 30, 2019.

On February 12, 2019, International Finance Corporation (IFC) invested an additional US\$75 million in AC Energy's Bonds described above via a tap on the facility - bringing the total five-year issue size to US\$300 million. On the same date, ACEFIL also issued 10-year Bonds with a principal amount of US\$110 million, with a coupon of 5.25% per annum, priced at 99.616. These were also listed on the Singapore Exchange.

The Bonds, now with an aggregate principal amount of US\$ 410 million, were issued off a recently established US\$1.00 billion Medium Term Note Programme and are guaranteed by AC Energy.

Issuance of Bond via Private Placement

On July 9, 2020, AC Energy launched a US\$60.00 million tap on its five-year unsecured senior Green Bonds due in 2024, via private placement (the Bonds). The five-year series of the Bonds was originally issued in January 2019 and has a coupon of 4.75% per annum. This private placement was priced in line with market prices as AC Energy locked-in competitive borrowing rates in the midst of challenging market conditions. This brings the aggregate principal of the Bonds to US\$360.00 million and together with the US\$110.00 million ten-year bonds due in 2029, brings the total of the AC Energy's senior Green Bonds to US\$470.00 million.

On August 17, 2020, the AC Energy's BOD approved to increase the tap program from US\$100.00 million (balance of US\$40.00 million) to US\$200.00 million but limiting further issuances to the 2029 Green Bonds.

Total interest expense recognized on notes payable amounted to ₱1,669.92 million and ₱692.31 million for the nine-month period ended September 30, 2020 and 2019, respectively

The unsecured US dollar-denominated senior Green Bonds requires AC Energy to comply with certain covenants including among others, limitations on the incurrence or guarantee of additional indebtedness, creation or incurrence of certain liens, creation or permission of any restrictions on the payment of dividends to AC Energy by certain of the it's subsidiaries, entering into unrelated businesses or engagement in certain activities, and limitations on the consolidation, merging or selling of all or substantially all of AC Energy's properties and assets with other entities if AC Energy is not the surviving entity. The incurrence test for additional debt requires AC Energy to maintain a Net Debt to Total Equity ratio not exceeding 2.5 to 1.0. and were complied with by them as of September 30, 2020 and December 31, 2019.

FFL Bonds

On November 27, 2019, AC Energy also issued US dollar-denominated fixed-for-life (FFL Bonds) through ACEFIL at an aggregate principal amount of US\$400.00 million (₱20,300.0 million) with a fixed coupon of 5.65 % for life and with no step-up and no reset.

There is no property owned by AC Energy that was pledged as collateral to these loans. AC Energy plans to deploy the funds for renewable energy expansion across the Asia Pacific region to include the Philippines, Indonesia, Vietnam, Myanmar, India and Australia, among others.

For as long as the unsecured US dollar-denominated fixed-for-life bonds remain outstanding, AC Energy is required to comply with certain covenants including those related to the creation and subsistence of liens created in respect of the limited recourse project financing of any project company. These were complied with by AC Energy as of September 30, 2020 and December 31, 2019.

Compliance with debt covenants

The loan agreement on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as of September 30, 2020 and December 31, 2019. The Parent Company aims to maintain among others certain ratios like debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYCFL.

17. Equity

Details of the Parent Company's paid-in capital:

	Preferred Shares - A	Preferred Shares - B	Voting Preferred Shares	Common Shares	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital	Treasury Shares
(In Thousands)									
At January 1, 2020 (Audited)	₱1,200,000	₱5,800,000	₱200,000	₱31,341,660	₱216,453	₱47,837,246	₱(1,719,134)	₱84,876,225	₱(5,737,896)
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	88,095	9,828	847,141	(685,100)	259,964	-
Collection of subscription receivables	-	-	-	-	-	-	167,363	167,363	-
Buyback of common shares	-	-	-	-	-	-	-	-	(867,257)
At September 30, 2020 (Unaudited)	₱1,200,000	₱5,800,000	₱200,000	₱31,429,755	₱226,281	₱48,684,387	₱(2,236,871)	₱85,303,552	₱(6,605,153)

	Preferred Shares - A	Preferred Shares - B	Voting Preferred Shares	Common Shares	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital	Treasury Shares
At January 1, 2019 (Audited)	₱1,200,000	₱5,800,000	₱200,000	₱31,340,717	₱190,658	₱46,156,018	₱(1,525,718)	₱83,361,675	₱(2,300,000)
Redemption of Preferred B Series 2 shares	-	-	-	-	-	-	-	-	(13,500,000)
Re-issuance of redeemed Preferred B Series 2 shares	-	-	-	-	-	-	-	-	13,500,000
Issuance of additional Preferred B Series 2 shares	-	-	-	-	-	1,079,931	-	1,079,931	300,000
Exercise/Cancellation/Subscription of ESOP/ESOWN	-	-	-	943	25,795	601,297	(468,093)	159,942	-
Collection of subscription receivables	-	-	-	-	-	-	274,677	274,677	-
Buyback of common shares	-	-	-	-	-	-	-	-	(3,737,896)
At December 31, 2019 (Audited)	₱1,200,000	₱5,800,000	₱200,000	₱31,341,660	₱216,453	₱47,837,246	₱(1,719,134)	₱84,876,225	₱(5,737,896)

Preferred shares

On January 15, 2020, the Parent Company has fully utilized the proceeds from the reissuance of Preferred B Series 2 shares.

Treasury shares

The Parent Company, pursuant to the share buyback program of ₱10.0 billion worth of shares approved by the BOD on December 5, 2019, made the following purchases of its common shares:

Date	Number of Shares	Price Per Share
February 11, 2020	78,310	₱755.3192
February 13, 2020	210,000	752.5476
February 14, 2020	570,060	750.0000
February 17, 2020	157,840	749.0000

March 20, 2020	100,000	415.6000
March 23, 2020	150,000	408.0000

Employee Stock Option Plan (ESOP) / Employee Stock Ownership Plan

- a) On January 7 and February 7, 2020, a total of 9,716 and 33,751 common shares, respectively were exercised under the Parent Company's ESOP.

On April 30, 2020, 469,276 common shares were exercised under the Parent Company's ESOP.

- b) On April 24, 2020, the BOD approved the 2020 stock option program pursuant to its Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to 32 executives, in accordance with the terms of the Plan, stock options covering up to a total of 1,461,423 common shares at a subscription price of ₱470.72 per share, which is the rounded off volume-weighted average prices of our common shares at the PSE over the last 5-day trading days from March 13 to 23, 2020.

On May 20, 2020, 31 grantees subscribed to 1,455,430 common shares at ₱470.72 per share.

Retained Earnings

The reconciliation of Retained Earnings available for dividend declaration shows the following as of September 30, 2020 and December 31, 2019:

	September 2020 (Unaudited)	December 2019 (Audited)
In Thousands		
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	₱ 46,534,197	₱ 34,034,851
Add: Net income actually earned/realized during the period - Parent co.	2,435,068	22,382,508
Add (Less):		
Dividend declarations during the period	(2,170,721)	(6,464,228)
PFRS adjustments in retained earnings	-	18,962
Treasury shares	(867,257)	(3,437,896)
	(3,037,978)	(9,883,162)
Retained earnings available for dividends	₱ 45,931,287	₱ 46,534,197

On June 16, 2020, the BOD, at its regular meeting, approved the declaration of regular dividend of ₱3.46 per common share. This cash dividend is for the first semester ending June 30, 2020. The record date is June 30, 2020, and payment date is July 16, 2020.

The details on the dividends declared by the Parent Company for the period ended September 30, 2020 and 2019 are shown below.

	September 2020 (Unaudited)	September 2019 (Unaudited)
(In Thousands, except dividends per share)		
Dividends to common shares:		
Cash dividends declared during the year	₱ 2,170,721	₱ 2,603,486
Cash dividends per share	3.46	4.15

Equity reserve

ALI

On August 13, 2020, ALI's sold through a public listing its 49.00 % effective noncontrolling interest in AREIT, Inc. at ₱27/share. Subsequently during a one-month stabilization process, BPI Capital Corporation acquired a 3.43% interest in AREIT at an average price of ₱26/share and redelivered this

to ALI, increasing its effective ownership back to 54.43%. ALI's net equity reserve from the sale and buy-back transactions aggregated to ₱7.7 billion out of the ₱12.3 billion net proceeds from public offering (see Note 3).

IMI

As a result of the IPO, IMI's ownership interest in VIA was diluted from 76.01% to 50.32%. In relation to the dilution without loss of control, the carrying amount of the non-controlling interest was adjusted by \$62 million to reflect the changes in the relative interests in VIA (including allocation of goodwill). IMI recognized directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent. The amount recognized in equity amounted to \$18.0 million included under Additional paid-in capital account (see Note 3).

The put options of VIA was terminated upon IPO and balance of \$15 million was reverted to equity under Additional paid-in capital account (see Notes 3 and 15).

18. Earnings Per Share

The following table presents information necessary to calculate earnings per share (EPS) on net income attributable to owners of the Parent Company:

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Thousands, except EPS figures)	
Net income attributable to the owners of the Parent Company		
Net income	₱ 11,367,534	₱ 46,162,417
Dividends on preferred stock	(947,704)	(965,609)
Adjusted net income	10,419,831	45,196,808
Segment under PFRS 5	(1,107,158)	(2,073,401)
Adjusted net income from continuing operations	9,312,673	43,123,407
Profit impact of assumed conversions of potential ordinary shares of investees	(28,135)	(40,448)
	₱ 9,284,538	₱ 43,082,959
Number of common shares		
Weighted average	626,753	628,988
Dilutive shares arising from stock options	558	1,443
	627,310	630,430
EPS		
Basic	₱ 16.63	₱ 71.86
Diluted	₱ 16.57	₱ 71.63
EPS before operations of the segment under PFRS 5		
Basic	₱ 14.86	₱ 68.56
Diluted	₱ 14.80	₱ 68.34

19. Revenue

This account consists of:

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Thousands)	
Revenue from contracts with customers		
Real estate	₱ 38,618,090	₱ 86,978,575
Manufacturing services	39,576,454	48,817,423
Power generation	20,721,184	7,773,478
Others	17,025,685	21,451,010
	115,941,413	165,020,486
Rental income	17,206,004	26,457,219
Sale of goods and rendering services	133,147,417	191,477,705
Share in net profits of associates and joint ventures	14,194,586	16,805,555
Interest income from real estate	6,361,069	6,287,731
Dividend income	60,919	84,877
Total	₱ 153,763,991	₱ 214,655,868

Disaggregated revenue information

Set out below is the disaggregation of revenue from contracts with customers of the material subsidiaries of the Group:

ALI Group

Revenue from contracts with customers of ALI Group consists of:

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Thousands)	
Revenue from contracts with customers		
Residential development	₱ 34,425,583	₱ 79,144,947
Hotels and resorts	2,601,447	5,400,038
Construction	1,591,060	2,433,590
Total Revenue	₱ 38,618,090	₱ 86,978,575

ALI Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types. ALI Group's disaggregation of revenue from contracts with customers from Residential development, the biggest revenue segment, are presented below:

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Thousands)	
<i>Type of Product</i>		
Middle income housing	₱ 14,033,767	₱ 26,942,204
Coremid	6,775,343	23,400,748
Condominium	6,648,346	17,949,428
Lot only	6,968,127	10,852,567
	₱ 34,425,583	₱ 79,144,947

All of ALI Group's real estate sales from residential development are revenue from contracts with customers recognized over time.

IMI Group

The following table presents revenue of IMI Group per product type:

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Thousands)	
Automotive	₱ 16,845,964	₱ 23,584,616
Industrial	11,701,149	12,860,815
Consumer	3,711,970	4,194,317
Telecommunication	3,100,316	3,674,214
Aerospace/defense	1,500,433	1,888,489
Medical	1,312,521	594,982
Multiple market/others	1,404,101	2,019,990
	₱ 39,576,454	₱ 48,817,423

Translated using the weighted average exchange rate for the period (US\$1: ₱50.185 and ₱51.957 in September 30, 2020 and 2019, respectively).

20. Assets and Liabilities and Operations of Segment under PFRS 5

MWC

On February 3, 2020, MWC and Prime Metroline Holdings, Inc., on behalf of a company to be incorporated (Trident Water), signed a subscription agreement for the acquisition of 820.0 million common shares of MWC at ₱13.00 per share. On February 6, 2020, the Parent Company's Executive Committee approved the grant of proxy rights by Philwater to Trident Water over its 4,000,000,000 preferred shares to enable the latter to achieve 51.00% voting interest in MWC, subject to the fulfillment of the conditions in the subscription agreement for the 24.96% share in MWC. Upon the grant of proxy rights to Trident Water, the Parent Company's effective voting interest in MWC will stand at 31.60%.

On February 7, 2020, MWC received a letter from Prime Metroline Holdings, Inc. that it has announced, through publication in a newspaper of general circulation, its intention to make a mandatory offer for the shares of the MWC at an offer price of ₱13.00 per share.

The issuance of the primary shares to Trident Water by MWC and the assignment of portion of the preferred shares voting rights is expected to be completed within one year from the reporting date and will result in the Parent Company's loss of control over MWC. Accordingly, as at December 31, 2019, MWC qualified as a group held for deemed disposal and since the operations of MWC represents the Group's water infrastructure business segment, qualifies as a discontinued operation (presented as operation of segment under PFRS 5 in the statement of income).

Revenue Recognition

On January 1, 2020, MWC revised its revenue accounting policy for supervision fees.

Revenue recognized over time using output method.

Prior to January 1, 2020, revenue from supervision fees of MWPVI, Aqua Centro, EcoWater, and Laguna Water is accounted for as connection fees. With the new information gathered from operating greenfield projects and changes in circumstances, the allocation of the transaction price between connection fees and future water services was reassessed. As a result, the supervision fees are allocated between connection fees and future water services (as consideration for water affordability or lower water tariff) based on the relative stand-alone selling price method for contracts and projects initiated starting January 1, 2020. The stand-alone selling price of connection fee is estimated based on adjusted market assessment approach while the stand-alone selling price allocated to future water services is estimated considering actual and projected water tariffs. The change in estimate is accounted prospectively and supervision fees pertaining to existing projects as of December 31, 2019 will continue to be accounted for entirely as connection fee.

Supervision fees recognized as connection fees amounted to ₱239.01 million and ₱608.37 million for the nine months ended September 30, 2020 and September 30, 2019 (both unaudited), respectively.

Supervision fees allocated to future water services recognized under contract liabilities amounted to ₱247.53 million as of September 30, 2020 (unaudited) (nil as of December 31, 2019).

On March 31, 2020, MWSAH recognized an impairment on its investment in Cu Chi Water Supply Sewerage Company Limited (Cu Chi Water) amounting to ₱336.67 million due to the current and prospective financial performance and condition of Cu Chi Water. This formed part of the Operating Expenses and Other Charges in the above results of operations.

The results of operations of MWC for the period ended September 30, 2020 and 2019 (both unaudited) are presented below:

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Thousands)	
Revenue	₱ 15,225,453	₱ 15,073,032
Interest and other income	6,920,656	8,352,491
Total revenues	22,146,109	23,425,524
Cost of services	5,136,567	5,838,417
Operating expenses and other charges	11,510,096	10,132,594
Interest expense	1,802,183	1,616,020
Total expenses	18,448,846	17,587,030
Income tax	1,776,764	1,710,739
Net income after tax	₱ 1,920,499 *	₱ 4,127,754

* Includes impact of additional remeasurement loss of ₱1.79 billion (Section 2 and 2.8). Also, NIAT lower vs. the reported NIAT of MWC due to cut-off adjustments to be taken up at AC consolidated FS in October 2020. Along with other cut-off adjustments, the net effect to consolidated NIAT is less than 1%.

The major classes of assets and liabilities of the MWC classified under PFRS 5 as at September 30, 2020 (unaudited) and December 31, 2019 (audited) are as follows:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Cash and Short-term investments	₱ 31,488,752	₱ 9,067,512
Current assets	6,989,735	4,697,515
Service Concession assets (net)	79,998,094	76,307,998
Noncurrent assets	17,235,756	19,689,110
Total assets	₱ 135,712,337	₱ 109,762,135
Short-term and Long-term debt	₱ 79,701,909	₱ 56,350,986
Current liabilities	9,715,857	10,225,462
Noncurrent liabilities	13,479,522	12,025,939
Total liabilities	₱ 102,897,288	₱ 78,602,387

The increase in assets was a result of higher cash and capex funded from new borrowings.

The other non-current assets of MWC includes FCDA (see Note 3). MWC reviewed its deferred FCDA balance as of September 30, 2020 and has recognized adjustments to the amounts relative to FCDA recoveries of foreign exchange losses (gains) arising from MWSS and MWC foreign currency loans in accordance with Amendment 1 of the Concession Agreement.

MWC group completed the following fund sourcing transactions as of September 30, 2020:

On January 31, 2020 and March 24, 2020, MWC entered into one-year term facility agreements with the Philippine National Bank and BPI for ₱900 million and ₱3.0 billion, respectively, to be used for its working capital requirements.

On February 17, 2020, the BOD of MWPVI approved the extension of Zamboanga Water's shareholder loan amounting to ₱76.0 million which will be used by Zamboanga Water for the prepayment in 2020

of its outstanding loan with Development Bank of the Philippines. The loan prepayment was made by Zamboanga Water on March 30, 2020.

MWPVI has exercised its option to borrow an additional ₱3.00 billion under the Greenshoe Option of the Omnibus Loan and Security Agreement (OLSA) with Security Bank Corporation and Metropolitan Bank and Trust Company, Inc. MWPVI signed the Second OLSA on May 22, 2020 and made the first drawdown of ₱750 million from each lender. The proceeds of the loan will be used to finance MWPVI's capital expenditures, existing projects of subsidiaries or equity investments, and other general corporate requirements.

On July 22, 2020, MWC announced its plan to issue an offering of USD-denominated senior unsecured notes, which qualify as ASEAN sustainability bonds. Proceeds from the issuance of the bond are intended to refinance debt and finance programmed capital expenditures for 2020 to 2021, pursuant to the Sustainability Financing Framework (SFF) which MWC recently established; proceeds are targeted towards financing projects related to (1) Sustainable water and wastewater management, (2) Terrestrial and aquatic biodiversity conservation, and (3) Affordable basic infrastructure categories. The MWC's SFF is aligned with the Green Bond Principles 2018 and Social Bond Principles 2018 and likewise complies with the ASEAN Sustainability Bond Standards and SEC Memorandum Circular No. 8, s 2019.

On July 23, 2020, MWC successfully issued the USD500 million ASEAN sustainability bonds, debuting in the international debt capital markets. MWC is the first Philippine Corporate to issue an ASEAN sustainability bond. Equally important, this issuance is the single largest green, social or sustainability bond issued by a listed private water utility in Asia. The 10-year bond was priced at 99.002 with a coupon rate of 4.375% p.a.

The successful bond issuance enables MWC to diversify its fund sources, to refinance maturing obligations, as well as fund its committed water and wastewater infrastructure projects in the East Zone Concession.

The following are the disaggregation of MWC's revenue from contracts with customers which forms part of the Group's operations of the segment under PFRS 5 for the periods ended September 30, 2020 and 2019 (both unaudited):

September 2020 (Unaudited)	Manila Concession and Head Office	Domestic Subsidiaries	Total
	(In Thousands)		
Revenue from contracts with customers:			
Water and sewer	₱ 11,852,635	₱2,727,314	₱14,579,949
Other operating income	161,210	484,294	645,504
	12,013,845	3,211,608	15,225,453
Timing of revenue recognition:			
Revenue recognized over time	11,934,654	3,134,596	15,069,250
Revenue recognized at a point in time	79,191	77,012	156,203
	₱ 12,013,845	₱3,211,608	₱15,225,453

September 2019 (Unaudited)	Manila Concession and Head Office	Domestic Subsidiaries	Total
	(In Thousands)		
Revenue from contracts with customers:			
Water and sewer	₱ 11,463,528	₱2,495,944	₱13,959,472
Other operating income	144,466	969,094	1,113,560
	11,607,994	3,465,038	15,073,032
Timing of revenue recognition:			
Revenue recognized over time	11,548,839	3,423,657	14,972,496
Revenue recognized at a point in time	59,155	41,381	100,536
	₱ 11,607,994	₱3,465,038	₱15,073,032

The net cash flows of MWC are as follows:

	September 2020 (Unaudited)	September 2019 (Unaudited)
	(In Thousands)	
Operating activities	₱ 1,056,567	₱ 468,212
Investing activities	(17,214,217)	50,401
Financing activities	21,279,145	(3,602,585)
Net increase (decrease) in cash and cash equivalents	₱ 5,121,495	₱ (3,083,972)

As of September 30, 2020, MWC reclassified in its financial statements the following business units as operations under PFRS 5: Healthy Family Business Division and Zamboanga Water.

Healthy Family Business Division (MWTS-HF)

On August 26, 2020, MWTS announced the permanent closure of its Healthy Family Business Division (MWTS-HF) effective October 31, 2020 due to its recurring losses and inability to financially sustain business operations. While MWTS-HF, launched in 2015, has made strong efforts to improve operations and profitability, the ever-increasing competition in the bottled water industry and the recent economic challenges have proved too difficult to cope and keep the business afloat. MWTS, as an entity, shall continue to exist and operate based on its primary purpose to engage in water and wastewater and environmental services. Total assets and liabilities of MWTS-HF amounted to ₱160.6 million and ₱28.5 million, respectively, as of September 30, 2020.

Zamboanga Water

On April 30, 2020, Zamboanga Water approved the termination of the NRW RSA. Such termination, however, is without prejudice to Zamboanga Water's claims against ZCWD and remedies under the NRW RSA.

On September 16, 2020, Zamboanga Water filed a Notice of Arbitration with the Philippine Dispute Resolution Center, Inc. (PDRCI), which is the arbitral body designated in the NRW RSA. Total assets and liabilities of Zamboanga Water amounted to ₱325.7 million and ₱86.8 million, respectively, as of September 30, 2020.

GN Power Kauswagan Ltd. Co. (GNPK)

On July 1, 2019, the ACEI and PP executed a term sheet for the acquisition by PP of the ACEI Group's indirect partnership interest in GNPK. The completion of the transaction will result to PP gaining control over GNPK's coal plant project. The closing of the sale transaction is subject to conditions precedent, including the approval by the PCC that was obtained on September 30, 2019.

ACEI classified the assets and liabilities of its subsidiary, GNPK as held for sale under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, as a result of its assessment that the

asset's carrying amount will be recovered principally through a sale transaction rather than through continuing use. The following criteria are met as of the financial reporting date:

- The investment in GNPK is available for immediate sale as evidenced by the term sheet signed on July 1, 2019. While the transaction is subject to certain conditions precedent, the requirements under PFRS 5 are deemed to have been satisfied in so far as the investment to be sold is concerned.
- The sale is highly probable to be completed within 12 months from end of period date.

The major classes of assets and liabilities of the GNPK classified under PFRS 5 as at September 30, 2020 (unaudited) and December 31, 2019 (audited) are as follows:

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Cash and cash equivalents	₱ 4,127,864	₱ 4,990,109
Current assets	6,444,743	6,218,349
Property and equipment	47,452,299	48,102,754
Noncurrent assets	322,995	1,393,346
Total assets	₱ 58,347,901	₱ 60,704,558
Current liabilities	₱ 2,777,000	₱ 2,700,672
Loans and long-term debt	34,618,616	38,942,070
Noncurrent liabilities	10,928	1,242,498
Total liabilities	₱ 37,406,544	₱ 42,885,240

Decrease in total liabilities was mainly due to payment of year-end 2019 trade payables and loans.

ACEI continues to take up the full profit and loss of GNPK until September 30, 2020 because control is not yet transferred. GNPK revenues from electricity sales of ₱3,801.3 million, other income of ₱1,119 million from combined mark-to-market gain on derivative instrument and liquidating damages, and administrative expenses of ₱779.9 million as of September 30, 2020 were recognized in the Group's consolidated income statement.

Depreciation

Depreciation of GNPK property, plant, and equipment begins when it is available in the location and condition for them to be capable of operating in the manner intended by management based on the contract with the contractors. As of September 30, 2020, GNPK is still in its testing and commission stage and the property, plant, and equipment is not yet in the condition intended by management, thus no depreciation was recognized for the nine-month period ended September 30, 2020.

Claims for Property Damage and Business Interruption

GNPK has the right to claim Delay Liquidated Damages for any construction delay. Total compensation recognized under Other revenues in the unaudited interim consolidated statements of comprehensive income for the nine-month periods ended September 30, 2020 and 2019 amounted to US\$10.00 million (₱509.0 million) and US\$34.00 million (₱1,740.0 million), respectively. Total compensation recognized as cost recovery or cost reduction to Construction in Progress account under Property, plant and equipment in the interim consolidated statements of financial position, amounted to nil as of September 30, 2020 and US\$6.79 million (₱352.5 million) as of September 30, 2019.

Events or circumstances may extend the period to complete the sale beyond one year. The Group assessed that extension of the period required to complete the sale does not preclude the assets and liabilities from being classified as held for sale since the Group remains committed to its plan to sell the subsidiary and has taken action steps on a timely basis geared towards addressing the requirements to obtain the lenders' consent for ACEI's full divestment from the project.

21. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

For management purposes, the Group is organized into the following business units:

- Parent Company - represents operations of the Parent Company including its financing entities such as ACIFL, AYCFL, PFIL and MHI.
- Real estate and hotels - planning and development of large-scale fully integrated mixed-used communities that become thriving economic centers in their respective regions. These include development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of high-end, upper middle-income and affordable and economic housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.
- Financial services and insurance - commercial banking operations with expanded banking license. These include diverse services such as deposit taking and cash management (savings and time deposits in local and foreign currencies, payment services, card products, fund transfers, international trade settlement and remittances from overseas workers); lending (corporate, consumer, mortgage, leasing and agri-business loans); asset management (portfolio management, unit funds, trust administration and estate planning); securities brokerage (on-line stock trading); foreign exchange and capital markets investments (securities dealing); corporate services (corporate finance, consulting services); investment banking (trust and investment services); a fully integrated bancassurance operations (life, non-life, pre-need and reinsurance services); and other services (internet banking, foreign exchange and safety deposit facilities).
- Telecommunications (Telecoms) – provider of digital wireless communications services using a fully digital network; domestic and international long distance communication services or carrier services; broadband internet and wireline voice and data communication services; also licensed to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. In recent years, operations include developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes.
- Water infrastructure – contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery, sewerage and sanitation, distribution services, pipeworks, used water management and management services. In 2016, a new business initiative was undertaken where the group will exclusively provide water and used water services and facilities to all property development projects of major real estate companies.

In 2019, investment in MWC was reclassified to “Assets and liabilities and operations of segment under PFRS 5” (see Note 20).

- Electronics manufacturing – global provider of electronics manufacturing services (EMS) and power semiconductor assembly and test services with manufacturing facilities in Asia, Europe, and North America. It serves diversified markets that include those in the automotive, industrial, medical, telecommunications infrastructure, storage device, and consumer electronics industries. Committed to cost-development to manufacturing and order fulfillment), the company's comprehensive capabilities and global manufacturing presence allow it to take on specific outsourcing needs.

- Power generation – unit that will build a portfolio of power generation assets using renewable and conventional technologies which in turn will operate business of generating, transmission of electricity, distribution of electricity and supply of electricity, including the provision of related services.
- Automotive, Outsourcing and Others – includes operations of Automotive unit's business on manufacturing, distribution and sale and providing repairs and services for passenger cars and commercial vehicles. In 2016, this unit launched initiatives to include industrial manufacturing activity for long-term synergy and integration with automotive business. This segment also includes outsourcing services unit (venture capital for technology businesses and emerging markets; onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, full-service creative and marketing, human capital management solutions, and full-service accounting); International unit (investments in overseas property companies and projects); Aviation (air-chartered services); consultancy, agri-business and other operating companies. This business segment group also includes the companies for Infrastructure (development arm for various types of infrastructure); education, human capital resource management and health services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

For the years ended September 30, 2020, September 30, 2019 and December 31, 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

The various business segments in the Group is not affected by seasonality in operations.

The following tables regarding operating segments present revenue and income information for the periods ended September 30, 2020 and 2019 (both unaudited), and assets and liabilities as of September 30, 2020 (unaudited) and December 31, 2019 (audited).

September 2020 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue									
Sales to external customers	P 161	P 55,695	P -	P -	P 39,612	P 20,793	P 16,886	P -	P 133,147
Intersegment	68	(120)	-	-	(34)	554	370	(838)	-
Share of profit of associates and joint ventures		520	8,050	4,815	-	1,473	(664)	-	14,194
Interest income	254	6,651	-	-	14	1,437	241	-	8,597
Dividend income	61	-	-	-	-	-	-	-	61
	544	62,746	8,050	4,815	39,592	24,257	16,833	(838)	155,999
Costs and expenses									
Costs of sales and services	-	35,594	-	-	36,526	12,251	14,770	(438)	98,703
General and administrative	2,454	5,692	-	-	3,826	2,935	6,916	(154)	21,669
	2,454	41,286	-	-	40,352	15,186	21,686	(592)	120,372
Other income (charges)									
Other income	254	588	-	-	676	2,518	366	(188)	4,214
Interest and other financing charges	(4,531)	(11,581)	-	-	(418)	(3,305)	(561)	-	(20,396)
	(4,277)	(10,993)	-	-	258	(787)	(195)	(188)	(16,182)
Net income (loss) before income tax	(6,187)	10,467	8,050	4,815	(502)	8,284	(5,048)	(434)	19,445
Provision for (benefit from) income tax	39	2,942	-	-	171	871	24	49	4,096
	(6,226)	7,525	8,050	4,815	(673)	7,413	(5,072)	(483)	15,349
Operations of the segment under PFRS 5* (Note 20, Section 2.8)								1,920	1,920
Net income (loss)	P (6,226)	P 7,525	P 8,050	P 4,815	P (673)	P 7,413	P (5,072)	P 1,437	P 17,269
<i>* Includes impact of additional remeasurement loss of P1.79 billion (Section 2 and 2.8). Also, NIAT lower vs. the reported NIAT of MWC due to cut-off adjustments to be taken up at AC consolidated FS in October 2020. Along with other cut-off adjustments, the net effect to consolidated NIAT is less than 1%.</i>									
Other information									
Segment assets	P 66,068	P 683,312	P -	P -	P 54,827	P 123,766	P 48,022	P (40,081)	P 935,914
Investments in associates and joint ventures	194,793	26,504	-	-	-	25,564	13,490	-	260,351
Deferred tax assets	83	11,307	-	-	245	550	1,164	363	13,712
Assets under PFRS 5								194,060	194,060
Total Assets	P260,944	P 721,123	P -	P -	P 55,072	P 149,880	P 62,676	P 154,342	P 1,404,037
Segment liabilities	P163,322	P 455,846	P -	P -	P 26,956	P 91,680	P 22,377	P (39,664)	P 720,517
Deferred tax liabilities	82	7,002	-	-	209	742	895	-	8,930
Liabilities under PFRS 5								140,304	140,304
Total Liabilities	P163,404	P 462,848	P -	P -	P 27,165	P 92,422	P 23,272	P 100,640	P 869,751
Depreciation & amortization	P 183	P 7,349			P 2,131	P 1,732	P 966	P (7)	P 12,354
Non-cash expenses other than depreciation & amortization	P (242)	P 41			P 384	P (389)	P 1,298	P -	P 1,092

Segment additions to property, plant and equipment and investment properties

	P	83	P	8,244	P	-	P	-	P	588	P	11,748	P	1,379	P	(8,732)	P	13,310
Cash flows provided by (used in):																		
Operating activities	P	(6,307)	P	(28,309)	P	-	P	-	P	2,617	P	334	P	(3,040)	P	3,261	P	(31,444)
Investing activities	P	5,006	P	4,868	P	-	P	-	P	(517)	P	(16,324)	P	(19,911)	P	(10,311)	P	(37,189)
Financing activities	P	2,448	P	20,211	P	-	P	-	P	3,030	P	10,959	P	28,255	P	7,996	P	72,899

September 2019 (Unaudited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Revenue									
Sales to external customers	P 208	P 113,224	P -	P -	P 48,741	P 7,933	P 21,373	P -	P 191,479
Intersegment	113	138	-	-	76	383	(50)	(661)	(1)
Share of profit of associates and joint ventures	-	696	10,383	5,391	-	538	(202)	-	16,806
Interest income	575	6,868	-	-	39	904	136	(6)	8,516
Dividend income	59	-	-	-	-	26	-	-	85
	955	120,926	10,383	5,391	48,856	9,784	21,257	(667)	216,885
Costs and expenses									
Costs of sales and services	-	69,951	-	-	44,712	7,859	18,468	182	141,172
General and administrative	3,477	6,182	-	-	3,864	3,718	5,114	(940)	21,415
	3,477	76,133	-	-	48,576	11,577	23,582	(758)	162,587
Other income (charges)									
Other income	1,276	744	-	-	206	28,050	1,245	(290)	31,231
Interest and other financing charges	(4,251)	(9,703)	-	-	(530)	(1,483)	(392)	14	(16,345)
	(2,975)	(8,959)	-	-	(324)	26,567	853	(276)	14,886
Net income (loss) before income tax	(5,497)	35,834	10,383	5,391	(44)	24,774	(1,472)	(185)	69,184
Provision for (benefit from) income tax	85	9,537	-	-	(2)	42	94	(62)	9,694
	(5,582)	26,297	10,383	5,391	(42)	24,732	(1,566)	(123)	59,490
Operations of the segment under PFRS 5								4,128	4,128
Net income (loss)	P (5,582)	P 26,297	P 10,383	P 5,391	P (42)	P 24,732	P (1,566)	P 4,005	P 63,618
Depreciation & amortization	P 203	P 6,862	P -	P -	P 1,913	P 423	P 748	P 144	P 10,293
Non-cash expenses other than depreciation & amortization	P 500	P 9	P -	P -	P 14	P -	P 320	P 17	P 860
Segment additions to property, plant and equipment and investment properties	P 91	P 39,876	P -	P -	P 1,727	P 7,364	P 1,541	P (9,354)	P 41,245
Cash flows provided by (used in):									
Operating activities	P 123	P (8,732)	P -	P -	P 2,103	P (6,102)	P 1,125	P 32,897	P 21,414
Investing activities	P 17,321	P (17,776)	P -	P -	P (2,409)	P 2,940	P (7,424)	P (16,954)	P (24,302)
Financing activities	P(11,503)	P 22,307	P -	P -	P (303)	P 13,478	P 3,983	P (15,943)	P 12,019

December 2019 (Audited)
(In Millions)

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Electronics	Power Generation	Automotive and Others	Intersegment Eliminations	Consolidated
Assets and Liabilities									
Segment Assets	P 69,273	P 677,107	P -	P -	P 55,330	P 105,166	P 43,140	P (36,175)	P 913,841
Investments in associates and joint ventures	186,117	25,294	-	-	-	21,089	14,231	-	246,731
Deferred tax assets	83	11,528	-	-	267	901	1,056	412	14,247
Assets under PFRS 5	-	-	-	-	-	-	60,705	109,762	170,467
Total Assets	P 255,473	P 713,929	P -	P -	P 55,597	P 127,156	P 119,132	P 73,999	P 1,345,286
Segment liabilities	P 149,684	P 465,090	P -	P -	P 30,922	P 77,621	P 19,961	P (36,829)	P 706,449
Deferred tax liabilities	82	6,091	-	-	179	820	864	-	8,036
Liabilities under PFRS 5	-	-	-	-	-	-	42,885	78,602	121,487
Total Liabilities	P 149,766	P 471,181	P -	P -	P 31,101	P 78,441	P 63,710	P 41,773	P 835,972
Segment additions to property, plant and equipment and investment properties	P 116	P 35,852	P -	P -	P 1,936	P 49,811	P 1,811	P (39,254)	P 50,272
Depreciation & amortization	P 270	P 9,281	P -	P -	P 2,567	P 1,503	P 1,258	P 3,762	P 18,641
Non-cash expenses other than depreciation & amortization	P (100)	P 151	P -	P -	P 249	P 450	P 832	P 17	P 1,599
Cash flows provided by (used in):									
Operating activities	P 7,444	P 42,452	P -	P -	P 2,977	P 2,004	P 541	P (29,300)	P 26,118
Investing activities	P (6,887)	P (49,061)	P -	P -	P (3,014)	P (4,271)	P (17,219)	P 30,405	P (50,047)
Financing activities	P 8,065	P 3,025	P -	P -	P 2,060	P 35,814	P 18,742	P (2,037)	P 65,669

22. Fair Value Measurement and Derivative Instruments

Fair Value of Financial and Nonfinancial Instruments

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of September 30, 2020 (unaudited) and December 31, 2019 (audited):

	September 2020 (Unaudited)		December 2019 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)		(In Thousands)	
FINANCIAL ASSETS AT FVTPL				
Held for trading/ others	₱ 12,675,667	₱ 12,675,667	₱ 9,726,080	₱ 9,726,080
Investment in bonds	2,309,440	2,309,440	2,305,402	2,305,402
Derivative assets				
Freestanding	389,560	389,560	338,612	338,612
Total financial assets at FVTPL	15,374,667	15,374,667	12,370,094	12,370,094
AT AMORTIZED COST				
Accounts and notes receivables				
Noncurrent trade receivables				
Real estate	45,660,280	45,660,280	42,994,112	42,994,112
Nontrade receivables				
Receivable from officers and employees	1,379,174	1,315,484	1,505,311	1,443,659
Total at amortized cost	47,039,454	46,975,764	44,499,423	44,437,771
FINANCIAL ASSETS AT FVOCI				
Quoted equity investments	2,133,064	2,133,064	1,633,763	1,633,763
Unquoted equity investments	15,370,927	15,370,927	4,269,733	4,269,733
Total financial assets at FVOCI	17,503,991	17,503,991	5,903,496	5,903,496
OTHER FINANCIAL ASSETS				
Deposits	3,242,511	3,242,511	3,570,171	3,570,171
Total other financial assets	3,242,511	3,242,511	3,570,171	3,570,171
Total financial assets	₱ 83,160,623	₱ 83,096,933	₱ 66,343,184	₱ 66,281,532
FINANCIAL LIABILITIES AT FVTPL				
Financial liabilities on put option	₱ -	₱ -	₱ 1,584,703	₱ 1,584,703
Derivative liabilities	1,745	1,745	238,411	238,411
Total financial liabilities at FVPL	1,745	1,745	1,823,114	1,823,114
OTHER FINANCIAL LIABILITIES				
Long-term debt	380,938,381	372,394,614	375,549,514	370,299,700
Service concession obligation	66,020	66,020	66,020	66,020
Deposits and other noncurrent liabilities	52,720,354	52,720,354	54,552,768	48,496,423
Total other financial liabilities	433,724,755	425,180,988	430,168,302	418,862,143
Total financial liabilities	₱ 433,726,500	₱ 425,182,733	₱ 431,991,416	₱ 420,685,257

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVTPL – Fair values of investment securities are based on quoted prices as of the reporting date. For other investment securities such as FVTPL with no reliable measure of fair value, these are carried at its last transaction price. Fair value of the bonds is based on binomial lattice approach.

The fair value of the investment in UITF is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest.

To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

The fair value of other unquoted financial assets at FVTPL is determined using Weighted Average Cost of Capital using market comparable.

Derivative instrument – The fair value of the freestanding currency forwards is based on counterparty valuation. Derivative asset – The fair value is estimated using a modified stock price binomial tree model for convertible callable bonds.

Noncurrent trade and nontrade receivables – The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

Financial assets at FVOCI quoted equity securities – fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities – fair values are based on the latest selling price available.

Financial liabilities on put options – These pertain to the liabilities of IMI Group arising from the written put options over the non-controlling interest of VIA and STI. The fair value of the financial liabilities is estimated using the discounted, probability-weighted cash flow method. The future cash flows were projected using the equity forward pricing formula with reference to the current equity value of the acquiree and the forecasted interest rate which is the risk-free rate in Germany and UK. The risk-free rate used is 0.17% for VIA and 0.74% for STI for March 2020 (unaudited) and December 2019 (audited). Management applied weights on the estimated future cash flows, based on management's judgment on the chance that the trigger events for the put option will occur.

The current equity value of VIA is determined using the discounted cash flow approach. The future cash flows are projected using the projected revenue growth rate of VIA. The discount rate represents the current market assessment of the risk specific to the acquiree, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For STI, management used the market approach by approximating the EBITDA multiple taken from comparable companies of STI that are engaged in providing electronics services solutions to derive its current equity value. Management computed EBITDA as the difference of forecasted gross profit and selling and administrative expenses before depreciation and amortization. Another significant assumption is the probability of trigger event occurring within the put option period.

Other financial liabilities - noncurrent – The fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. This also include the contingent consideration related to the acquisition of STI determined based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital. The discount rate is based on the specific circumstances of the acquiree and is derived from its weighted average cost of capital.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

The following table shows the fair value hierarchy of the Group's assets and liabilities as at September 30, 2020 (unaudited) and December 31, 2019 (audited):

September 30, 2020 (Unaudited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In Thousands)				
Recurring financial assets measured at fair value				
Financial assets at FVPL	₱ -	₱ -	₱ 14,985,107	₱ 14,985,107
Derivative assets				
Freestanding	-	-	389,560	389,560
Financial assets at FVOCI				
Quoted equity investments	1,438,008	695,056	-	2,133,064
Unquoted equity investments	-	-	15,370,927	15,370,927
	₱ 1,438,008	₱ 695,056	₱ 30,745,594	₱ 32,878,658
Recurring financial assets for which fair values are disclosed:				
Noncurrent trade and nontrade receivables	₱ -	₱ -	₱ 46,975,764	₱ 46,975,764
Deposits	-	-	3,242,511	3,242,511
	₱ -	₱ -	₱ 50,218,275	₱ 50,218,275
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	₱ -	₱ -	₱ -	₱ -
Derivative liabilities	-	1,001	744	1,745
	₱ -	₱ 1,001	₱ 744	₱ 1,745
Recurring financial liabilities for which fair values are disclosed:				
Long-term debt	₱ -	₱ -	₱ 372,394,614	₱ 372,394,614
Service concession obligation	-	-	66,020	66,020
Deposits and Other noncurrent liabilities	-	-	52,720,354	52,720,354
	₱ -	₱ -	₱ 425,180,988	₱ 425,180,988
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	₱ 228,280,233	₱ -	₱ -	₱ 228,280,233
Investment properties	-	4,992,352	495,504,453	500,496,805
	₱ 228,280,233	₱ 4,992,352	₱ 495,504,453	₱ 728,777,038

*Fair value of investments in listed associates and joint ventures for which there are published price quotations

December 31, 2019 (Audited)

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In Thousands)				
Recurring financial assets measured at fair value				
Financial assets at FVTPL	₱ -	₱ 85,724	₱ 11,945,758	₱ 12,031,482
Derivative assets				
Freestanding	-	-	338,612	338,612
Total Financial assets at FVTPL	-	85,724	12,284,370	12,370,094
Financial assets at FVOCI				
Quoted equity investments	1,114,880	518,883	-	1,633,763
Unquoted equity investments	-	-	4,269,733	4,269,733
	₱ 1,114,880	₱ 604,607	₱ 16,554,103	₱ 18,273,590
Recurring financial assets for which fair values are disclosed:				
Noncurrent trade and nontrade receivables	₱ -	₱ -	₱ 44,437,771	₱ 44,437,771
Deposits	-	-	3,570,171	3,570,171
	₱ -	₱ -	₱ 48,007,942	₱ 48,007,942
Recurring financial liabilities measured at fair value				
Financial liabilities on put option	₱ -	₱ -	₱ 1,584,703	₱ 1,584,703

Derivative liabilities					
Freestanding	-	238,411	-	238,411	
	P	-	P	238,411	P 1,584,703
					P 1,823,114
Recurring financial liabilities for which fair values are disclosed:					
Long-term debt	P	-	P	-	P 370,299,700
Service concession obligation		-		-	66,020
Deposits and Other noncurrent liabilities		-		-	48,496,423
	P	-	P	-	P 418,862,143
					P 418,862,143
Nonfinancial assets for which fair values are disclosed:					
Investment properties	P	-	P	-	P 495,845,136
Investments in associates and joint ventures*		278,883,519		-	278,883,519
	P	278,883,519	P	-	P 495,845,136
					P 774,728,655

*Fair value of investments in listed associates and joint ventures for which there are published price quotations.

There was no change in the valuation techniques used by the Group in determining the fair market value of the assets and liabilities.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's financial assets and liabilities categorized as Level 3:

December 31, 2019 (Audited)

	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Sensitivity of the input to the fair value
Financial assets at FVTPL	Market comparable	Weighted average cost of capital (WACC)	5% to 10%	5% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$5,200,723/ (US\$5,200,723)
				10% increase / (decrease) in WACC would result in increase / (decrease) in fair value by US\$10,401,445/ (US\$10,401,445)
Financial liabilities on put options	Discounted, probability-weighted cash flow method	Growth rate	0% - 2% (1%)	1% increase in growth rate would result in an increase in fair value by US\$1.59 million. Decrease in growth rate by 1% would result in a fair value decrease of US\$1.25 million.
		Discount rate	8% - 10% (9%)	1% increase in discount rate would result in a decrease in fair value by US\$1.83 million. Decrease in discount rate by 1% would result in a fair value increase of US\$2.31 million.
		Probability of trigger events occurring	1% - 10% (5%)	Increase in the probability to 10% would result in an increase in fair value by US\$0.77 million. Decrease in the probability to 1% would result in a decrease in fair value by US\$1.17 million.

ALI Group categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

A reconciliation of the beginning and closing balances of Level 3 financial assets and liabilities at FVTPL are summarized below:

Financial Assets at FVTPL	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 11,945,758	₱ 9,236,804
Additions	3,542,285	3,046,315
Recognized in consolidated statement of income	(190,500)	528,011
Exchange difference	(312,436)	(865,372)
Balance at end of period	₱ 14,985,107	₱ 11,945,758

Financial Liabilities at FVTPL	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 1,584,703	₱ 1,567,146
Additions	-	-
Recognized in statement of income	(399,450)	114,373
Reversal	(727,377)	-
Exchange difference	(457,876)	(96,816)
Balance at end of period	₱ -	₱ 1,584,703

Derivatives

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Derivative Assets		
Call option of AC Industrial and AC Health	₱ 377,855	₱ 332,485
Forward contract of AC Energy, IMI and AIVPL	11,704	6,127
	₱ 389,559	₱ 338,612
Derivative Liabilities		
Forward contract of AC Energy & IMI	₱ 1,745	₱ 238,411
	₱ 1,745	₱ 238,411

Fair Value Changes on Derivatives

The net movements in fair values of the Group's derivative instruments as of September 30, 2020 (unaudited) and December 31, 2019 (audited) follow:

Derivative Assets

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 338,612	₱ 65,324
Additions during the period	50,948	365,273
Net changes in fair value of derivatives	-	287,780
	389,560	718,377
Reclassification to PFRS 5	-	(379,765)
Balance at end of period	₱ 389,560	₱ 338,612

Derivative Liabilities

	September 2020 (Unaudited)	December 2019 (Audited)
	(In Thousands)	
Balance at beginning of year	₱ 238,411	₱ 15,700
Net changes in fair value of derivatives	(236,666)	222,711
Balance at end of period	₱ 1,745	₱ 238,411

No other financial assets or liabilities are carried at fair value as of September 30, 2020 (unaudited) and December 31, 2019 (audited).

Net changes in fair value of derivative assets and liabilities was recognized in the consolidated statement of income under "Other Income". However, the net changes in fair value of IMI Group's freestanding currency forward are recognized in the consolidated income under "Foreign exchange gains (losses)".

Financial Risk Management

General

Like any other risks, financial risks are inherent in the business activities and are typical of any large holding company. The financial risk management of the Parent Company seeks to effectively contribute to better decision making, enhance performance, and satisfy compliance demands.

The Parent Company defines financial risks as risk that relates to the Parent Company's ability to meet financial obligations and mitigate funding risk, credit risk and exposure to broad market risks, including volatility in foreign currency exchange rates and interest rates. Funding risk refers to the potential inability to meet contractual or contingent financial obligations as they arise and could potentially impact the Parent Company's financial condition or overall financial position. Credit risk is the risk of financial loss arising from a counterparty's failure to meet its contractual obligations or non-payment of an investment. These exposures may result in unexpected losses and volatilities in the Parent Company's profit and loss accounts.

The Parent Company maintains a strong focus on its funding strategy to help provide access to sufficient funding to meet its business needs and financial obligations throughout business cycles. The Parent Company's plans are established within the context of our annual strategic and financial planning processes. The Parent Company also take into account capital allocations and growth objectives, including dividend pay-out. As a holding company, the Parent Company generates cash primarily on dividend payments of its subsidiaries, associates and joint ventures and other sources of funding.

The Parent Company also establishes credit policies in setting up limits for counterparties that are reviewed quarterly and monitoring of any changes in credit standing of counterparties.

The Parent Company has a formal foreign exchange and interest rate risk management policy. The Parent Company actively monitors foreign exchange exposure and interest rate changes. And in addition, the Parent Company ensures that all loan covenants and regulatory requirements are complied with.

The Ayala Group continues to monitor and manage its financial risk exposures in accordance with Board approved policies. The succeeding discussion focuses on Ayala Group's financial risk management.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at FVTPL and FVOCI, AFS financial assets, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as cash and cash equivalents, short-term investments, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The Group's main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, price risk, liquidity risk, and credit risk.

The Group also uses hedging instruments, the purpose of which is to manage the currency and interest rate risks arising from its financial instruments.

The Group's risk management policies relevant to financial risks are summarized below:

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' obligations. The policy is to keep a certain level of the total obligations as fixed to minimize earnings volatility due to fluctuation in interest rates.

Foreign Exchange Risk

The Group's foreign exchange risk results primarily from movements of the PHP against other currencies. The Group's consolidated statements of income can be affected significantly by movements in the USD and other currencies versus the PHP. The Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of September 30, 2020. The fourth and fifth columns of the table demonstrates the sensitivity to a reasonably possible change in the peso exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (in thousands, unaudited).

Foreign currency	Net asset (liabilities)	PHP equivalent	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
United States Dollar (USD)	USD 64,117	₱ 3,107,707	₱1.00 (1.00)	₱ 64,117 (64,117)
Japanese Yen (JPY)	JPY (238,946)	₱ (109,898)	1.00 (1.00)	(238,946) 238,946
Euro (EUR)	EUR 131,224	₱ 7,462,028	1.00 (1.00)	131,224 (131,224)
Chinese RMB (RMB)	RMB 136,364	₱ 971,052	1.00 (1.00)	136,364 (136,364)
Vietnam Dong (VND)	VND 89,527,502	₱ 186,516	1.00 (1.00)	89,527,502 (89,527,502)

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk

Financial assets at FVTPL and FVOCI are acquired at certain prices in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments. The Group's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each sector and market.

Liquidity risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected

and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues, both on-shore and off-shore.

Credit risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's holding of cash and cash equivalents and short-term investments and receivables from customers and other third parties exposes the Group to credit risk of the counterparty. Credit risk management involves dealing with institutions for which credit limits have been established. The Treasury and Financial Policies of the individual subsidiaries set credit limits for their counterparty. The Group trades only with recognized, creditworthy third parties and has a well-defined credit policy and established credit procedures.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

Given the Group's diverse base of counterparties, the Group is not exposed to large concentrations of credit risk.

The maximum exposure to credit risk for the components of the consolidated statement of financial position is equal to the carrying values.

Part of the policies is the performance of impairment analysis for the credit accounts.

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, FVTPL financial assets, quoted financial assets at FVOCI and investment in bonds classified as loans and receivable, advances to other companies and related party receivables

High grade pertains to cash and cash equivalents and short-term investments, quoted financial assets, investment in bonds classified as loans and receivable, related party transactions and receivables with high probability of collection.

Medium grade pertains to unquoted financial assets other than cash and cash equivalents and short-term investments with nonrelated counterparties and receivables from counterparties with average capacity to meet their obligation.

Low grade pertains to financial assets with the probability to be impaired based on the nature of the counterparty.

Trade receivables

Real estate, BPO and international and others - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment in the past; and low grade pertains to receivables with more than 3 defaults in payment.

Electronics manufacturing - high grade pertains to receivable with favorable credit terms and can be offered with a credit term of 15 to 45 days; medium grade pertains to receivable with normal credit terms and can be offered with a credit term of 15 to 30 days; and low grade pertains to receivables under advance payment or confirmed irrevocable Stand-by Letter of Credit and subjected to semi-annual or quarterly review for possible upgrade or transaction should be under advance payment or

confirmed and irrevocable Stand-By Letters of credit; subject to quarterly review for possible upgrade after one year.

Water infrastructure – high grade pertains to receivables that are collectible within 7 days from bill delivery; medium grade pertains to receivables that are collectible from 11 to 30 days from bill delivery.

Automotive – high grade pertains to receivables from corporate accounts and medium grade for receivables from noncorporate accounts.

Unquoted financial assets at FVOCI – the unquoted investments are unrated.

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities.

All publicly-listed and certain member companies of the Group have Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

The Parent Company has an approval requirement such that material related party transactions (RPT) shall be reviewed by the Risk Management Committee (the Committee) and endorsed to the BOD for approval. Material RPTs are those transactions that meet the threshold value as approved by the Committee amounting to ₱50.0 million or five (5) percent of the total assets, whichever is lower and other requirements as may be determined by the Committee upon the recommendation of the Parent Company's Risk Management.

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of deposits/placements, advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms.

Highlights of related party transactions follow:

Transactions with BPI

The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱20,196.6 million and ₱25,171.9 million, as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Notes 4 and 5). The Other Current Assets account includes ₱635.4 million and ₱80.9 million Financial Assets at FVPL of ALI with BPI as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 8). The Other Noncurrent Assets account includes ₱4,123.4 million and ₱4,261.8 million placement of AYCFI and the Parent Company with BPI as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively (see Note 8). The Group also has short-term and long-term debt payable to BPI amounting to ₱36,682.5 million and ₱46,018.8 million as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2019 and varying schedules of payments for interest (see Note 16).

Receivable from Related Parties

The Group has ₱12,330.6 million and ₱14,491.2 million receivable from related parties as of September 30, 2020 (unaudited) and December 31, 2019 (audited) respectively. Increase in receivable from related parties pertain to real estate group accounts. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to 2 years. Advances include certain residential development projects which become due as soon as the projects are completed.

The receivables also include AC Energy's receivables from joint venture partners and certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, will be settled in cash and are due and demandable (see Note 6).

Impairment assessment is undertaken at end of year or anytime during the year when there is a condition that would require such, through examining the financial position of the related parties and the markets in which the related parties operate.

Receivables from Officers and Employees

The Group has ₱1,379.0 million and ₱1,505.3 million receivables from officers and employees as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. These pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction, are interest bearing (6.0% per annum) and have various maturity dates (see Note 6).

Payables to Related Parties

The Group has payables to various related parties amounting to ₱1,024.5 million and ₱1,084.1 million as of September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively. These payables include: a) cost of lots for joint development projects; b) purchased parts and accessories and vehicles; and c) advances and reimbursements for operating costs. These are all unsecured, interest free, will be settled in cash and are due and demandable (see Note 14).

Income and Expenses

The Group realized total income of ₱1,865.4 million and ₱2,622.9 million from related parties and incurred total expenses of ₱1,470.0 million and ₱1,184.5 million for the periods ended September 30, 2020 and 2019, respectively (both unaudited). These 2020 amounts represent 1.2% and 1.0% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest (see Note 16), water utilities, communications and professional fees. For the period of September 2020, AC Parent Company donated to Ayala Foundation, Inc. (AFI) amounting to ₱41.7 million intended for AFI's Project Pananagutan to support various initiatives to assist sectors affected by Covid19 health crisis.

Others

Integrated Micro-Electronics Bulgaria EOOD (IMI BG) has agreed to provide continuing operational, investment and financial assistance to the facilities of C-Con GmbH (C-Con), a related party and an entity under common control of ACI, for C-Con will duly and timely perform all required obligations under contracts to be entered into with a particular customer. In case of C-Con's failure to perform its contractual obligations under the contract including but not limited to failure to perform due to C-Con's insolvency (Breach), IMI BG will indemnify and hold harmless the customer from any and all costs, liabilities, damages, losses, and reasonable amount of actually-incurred out of pocket expenses (including court costs and legal expenses) of the customer occasioned by or arising from such Breach. As consideration for extending said guarantee, IMI BG will be charging C-Con a guarantee fee equivalent to two (2%) of the revenue for the projects won using or relying upon IMI BG's guarantee. Additionally, IMI BG's guarantee to C-Con is backstopped by AC Industrials (Singapore) Pte. Ltd., another related party of IMI BG.

24. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities follow:

	Jan. 1, 2020 (Audited)	Cash Flows	Non-cash Changes (in Thousands)		Foreign Exchange Movement	September 30, 2020 (Unaudited)
Short-term and Long-term debt	₱ 461,689,143	₱ 55,622,332	₱ 274,760	*	₱(5,733,158)	₱ 511,853,077
Dividend payable	4,496,286	(8,169,972)	4,423,073	**		749,387
Other noncurrent liabilities	48,447,370	9,773,056	2,851,398			61,071,824
Lease liabilities	22,831,166	(1,486,647)	2,489,814	***		23,834,333
Service concession obligation	66,019	(817,167)	817,167	****		66,019
Total liabilities from financing activities	₱ 537,529,984	₱ 54,921,602	₱ 10,856,212		₱(5,733,158)	₱ 597,574,640

*includes accounts of segments reclassified to PFRS 5 (MWC).

**Pertains to dividends declared by the Parent Company and by its subsidiaries to the non-controlling shareholders during the year.

***includes adoption of PFRS 16 and additions during the year

****Pertains to additions to service concession obligation and reclassification to PFRS 5 (MWC)

25. Events after the Reporting Period

ALI

a) On October 22, 2020, the BOD of ALI's Real Estate Investment Trust (REIT) vehicle, AREIT, Inc., at its regular board meeting approved the following items:

1. The acquisition of The 30th from its Sponsor, ALI for a purchase price of ₱5.1 billion, vat-inclusive, as endorsed by the Related Party Transactions Review Committee.
2. The raising of up to ₱6.4 billion, with a tenor of up to 10 years, through the issuance of retail bonds and/or corporate notes for listing on the PDEX, and/or bilateral term loans, and/or preferred shares for the purpose of financing asset acquisitions.
3. The establishment of credit facilities with banks amounting to ₱12.0 billion.
4. Amendments, as endorsed by the Corporate Governance and Nomination Committee:
 - a. Article VI of the Articles of Incorporation and Section 2 of Article III of the By-Laws to increase the number of directors from seven (7) to eight (8); and
 - b. Various sections of the By-Laws to align with the Revised Corporation Code and with recognized good corporate governance practices, and to digitalize certain governance processes.

The above amendments to the charters will be presented to the AREIT's stockholders at their annual meeting in 2021 for approval.

MWC

a) Effective October 1, 2020, a FCDA of ₱0.33 per cubic meter will be implemented on the water rates of East Zone customers. This adjustment was based on the exchange rate of USD1.00 to ₱50.097 and JPY1.00 to ₱0.466. The FCDA of the water bill will be adjusted to 1.77% of the 2020 average basic charge of ₱28.52 per cubic meter.

b) On November 3, 2020, MWC decided to defer the implementation of the scheduled ₱2.00 rate adjustment for 2021 in the spirit of bayanihan and to help alleviate the difficulties its customers are experiencing due to the COVID-19 pandemic compounded by effects of natural calamities. The adjustment for consumer price index (CPI) or inflation next year is likewise deferred.

AC Energy

a) On October 20, 2020, the Parent Company confirmed the new article titled "AC Energy to develop 2nd solar farm in India" posted in BusinessMirror (Online Edition) on the same date. AC Energy announced its second solar farm project in India valued at \$36 million. AC Energy continues to expand its renewables business in the country with the development of the 70 MWp Paryapt Solar through UPC-AC Energy Solar, the company's joint venture with UPC Solar Asia Pacific.

The Paryapt Solar power project is expected to start power generation in the first half of 2021. UPC-AC Energy Solar won the 25-year power supply agreement for the project via a competitive bid at INR 2.55 per kilowatt hour. It will be located in the Amreli District of the State of Gujarat, one of the first states to develop solar generation capacity in India, with its own target to set up 8000MW of solar power by 2022. AC Energy's first solar power project in India, the 140MW Sitara Solar plant in Rajasthan, is also expected to commence with power generation in the same period.

- b) On October 15, 2020, ACEN signed a subscription agreement with Bataan Solar Energy, Inc. (BSEI) for subscription of additional 7,999,190 Common Shares and 71,992,425 Class A Redeemable Preferred Shares (RPS A) to be issued out of the increase in authorized capital stock of BSEI, with subscription price of ₱40.00 million and ₱359.96 million, respectively, to be paid in tranches with ₱99.99 million payable on date of acquisition.
- c) On October 22, 2020, ACEN executed a subscription agreement with deed of assignment of advances and deposits for future stock subscription with Ingrid for the subscription by ACEN of 5 Class A common shares (Common A), 0.48 million Class A redeemable preferred shares (RPS A), and 5.22 million Class B redeemable preferred shares (RPS B) of Ingrid.

Assignment to Ingrid by ACEN in the total amount of ₱570.00 million, composed of ₱150.00 million outstanding receivables from Ingrid and ₱420.00 million deposits for future stock subscription, in exchange for, and as payment for, the subscribed shares to be issued out of the increase in the authorized capital stock of Ingrid, subject to necessary regulatory approvals from the SEC.

The subscription agreement with deed of assignment effectively supersedes the subscription agreement of 0.05 million Class A Common Shares and 5.65 million Class A RPS, dated December 18, 2019.

The subscription will be used to fund initial works for the construction of the Ingrid project.

- d) On October 30, 2020, ACEN prepaid in full its ₱500.00 million corporate note with BDO in accordance with the terms of the loan agreement. The option to prepay the loan is part of the terms of the loan agreement and there is no collateral nor penalty fee paid in relation to the prepayment.
- e) AC Energy Philippines (ACEN) announced the potential investment of an affiliate of GIC Private Limited (GIC), Arran Investment Pte Ltd, in ACEN, in a deal valued at approximately ₱20 billion. ACEN's BOD, on November 10, 2020, approved the proposal of GIC's affiliate to acquire a 17.5% ownership stake in ACEN (the Investment), and which 17.5% ownership stake is on the basis that ACEN's stock rights offering (SRO) and follow-on-offering, and the infusion by ACEN's parent company, AC Energy, Inc. (AC Energy), of its international business into ACEN, have been completed.

The Investment, which will be implemented through a combination of subscription to four billion primary shares (via a private placement) and purchase of secondary shares from AC Energy, will be at a price of ₱2.97 per share on a post-SRO basis and is subject to agreed price adjustments. The price represents a 25% premium to the board-approved SRO price of ₱2.37/share, which is subject to regulatory approval, and is at par with the theoretical ex-rights price (TERP) using the 30-day VWAP of ₱3.51/share and the ACEN Board-approved SRO price of ₱2.37/share. The terms of ACEN's SRO, including the offer price, are subject to approval by the SEC.

Given that AC Energy will not participate in the initial round of the SRO to provide maximum availability to minority shareholders, the summary computation of the TERP is provided in the following table using the ratio of one subscription share entitlement for every 1.11 shares held.

	Shares	Price/Share (in Php)	Value	Remarks
Pre-SRO Shares	1.11	3.51*	3.90	*Price based on 30-day VWAP as of 10 November 2020.
SRO Shares	1	2.37**	2.37	
Total	2.11		6.27	**SRO price, subject to regulatory approval.
TERP		2.97		

The completion of the subscription by the GIC affiliate to primary shares is subject to definitive documentation being signed by the parties and satisfaction of agreed conditions precedent, which includes among others, the completion by ACEN of the SRO, which is expected to occur in the first quarter of 2021, and applicable regulatory approvals. On the other hand, the completion of the purchase by the GIC affiliate of secondary shares from AC Energy is subject to definitive documentation being signed by the parties, the completion of the infusion by AC Energy of its international business into ACEN by way of a property for shares swap, which is expected to occur in the third quarter of 2021, and applicable regulatory approvals.

To implement the Investment, ACEN, GIC's affiliate, and AC Energy will sign an Investment Agreement as well as a Shareholders' Agreement that will document the rights and obligations of the GIC affiliate as an investor in ACEN. The transaction documents are expected to be signed within November 2020.

AC Infra

- a) Effective October 1, 2020, the Edsa Busway "No Beep card, no ride" policy implementation was temporarily suspended until the issue related to the waiver of the Beep Card cost is resolved.

AC Health

- a) In October 2020, AC Health subscribed to 10,728,500 common shares and 10,848,500 redeemable preferred shares of Healthway both at ₱100 par value per share. On October 13, 2020, AC Health partially paid the subscription amounting to ₱493.1 million. Increase in the authorized capital stock of Healthway is pending approval with SEC.
- b) On October 15, 2020, AC Health entered into a deed of assignment with Healthway wherein AC Health assigns to Healthway the 6.5 million common shares and 58.5 million preferred shares subscribed from Zodiac for a consideration of ₱500,000.00.
- c) In October 2020, AC Health redeemed an aggregate of 238 million preferred shares at ₱1 per share of Zapfam, Inc.

Globe

- a) On November 3, 2020, the BOD of Globe Telecom, at its meeting, approved the declaration and payment of 4th quarter cash dividend of ₱31.33 per share payable to stockholders of record as of November 17, 2020 and will be distributable on December 3, 2020. The shares will trade ex-cash on November 12, 2020.

Section 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

3Q20 vs 2Q20 Highlights

- The improvement in mobility, business operations, and overall economic activity brought about by the gradual easing of quarantine protocols from March to September enabled Ayala's subsidiaries to perform better on a quarter-on-quarter basis.
- Ayala's net income in the third quarter more than doubled to ₱3.4 billion compared to the previous quarter, mainly on improved performance of Ayala Land and AC Industrials, lower loan loss provisions booked by BPI, and the absence of remeasurement losses from Manila Water recognized in 2Q.
 - Ayala Land's net income accelerated to ₱1.8 billion from ₱200 million as mobility and sentiment improved starting September when Metro Manila reverted to more relaxed restrictions under a General Community Quarantine from a Modified Enhanced Community Quarantine.
 - BPI's net income improved four percent to ₱5.5 billion due to lower loan loss provisions.
 - Globe's net income declined 11 percent to ₱4.4 billion despite healthy data revenues from its mobile and home broadband business on the back of heightened advertisement and promotions costs and non-operating expenses.
 - AC Energy's net income decreased 54 percent to ₱1.1 billion mainly on the absence of revaluation gains on certain investments in the third quarter.
 - AC Industrials significantly narrowed its net loss to ₱224 million from ₱1.3 billion the previous quarter as plant operations normalized across all regions and gross profit margin expanded as a result of better factory performance efficiencies.

9M20 vs 9M19 Highlights

- Ayala Corporation's net income in the first nine months of the year declined 75 percent to ₱11.4 billion, mainly as a compounded effect of:
 - Restricted construction activity and mall operations in Ayala Land since mid-March
 - BPI's aggressive loan loss provisions especially in the second quarter
 - The base effect from divestment gains in power and education booked in the same period last year.
- Ayala's core businesses recorded lower net profits in the period ending September as a result of the health crisis.
 - Ayala Land's net income decreased 73 percent to ₱6.4 billion as a result of lower project bookings from suspended construction activity, restricted mall and hotel operations, and closure of resorts.
 - BPI's net income declined 22 percent to ₱17.2 billion due to the ₱21.1 billion in loan loss provisions it booked in anticipation of an increase in NPL levels. The provision was 4.6x higher than the ₱4.6 billion allocated in the same period last year.
 - Globe's net income contracted 10 percent to ₱15.9 billion, primarily driven by higher depreciation expenses from its continued network investments.
 - AC Energy recorded a net income of ₱5.6 billion, a decline from its year-ago level of ₱24.3 billion, which included gains from the partial divestment of its thermal assets.

Consolidated Sales of Goods and Services

- Sale of goods and rendering services posted a 30 percent decrease to ₱133.1 billion mainly because of the pandemic negatively affecting Ayala Land's construction progress, residential bookings, rental waivers, and occupancy rates as well as AC Industrial's revenues and operations.
- The decrease was partially offset by higher revenues stemming from the consolidation of AC Energy Philippines into AC Energy and Generika and Healthway into AC Health.

Real Estate

- Ayala Land's total revenues declined 48 percent to ₱63.3 billion, while net income fell 73 percent to ₱6.4 billion in the first nine months of the year due to the impact of COVID-19 on its business operations.
- Property development revenues were down 52 percent to ₱40.6 billion mainly due to lower project bookings and limited construction activity.
 - Residential revenues dropped 49 percent to ₱34.5 billion.
 - Office for sale revenues declined 79 percent to ₱2.3 billion.
 - Commercial and industrial lots sales decreased 41 percent to ₱3.8 billion.
- Residential sales reservations in the first nine months of 2020 amounted to ₱60.8 billion, 56 percent of last year's level, despite the limited selling activity during the quarantine period.
 - Notwithstanding the uncertain investment environment, reservations in the third quarter grew 66 percent quarter-on-quarter to ₱22.5 billion.
- Commercial leasing revenues declined 37 percent to ₱17.3 billion because of restricted mall and hotel operations and closure of resorts. This was partially offset by rental revenues from office tenants mainly comprising BPO clients, which continued to operate throughout the quarantine period.
 - Shopping center leasing revenues went down 51 percent to ₱7.4 billion.
 - Office leasing income increased two percent to ₱7.3 billion.
 - Hotels and resorts revenues decreased 52 percent to ₱2.6 billion.
- CAPEX spending stood at ₱45.3 billion in the first nine months of the year, 65 percent of the revised full year budget of ₱69.8 billion.
 - 47 percent was spent on residential projects.
 - 21 percent was spent on commercial projects.
 - 15 percent was spent on estate development.
 - 14 percent was spent on land acquisition.
 - Three percent was spent on other capital investments.
- Ayala Land's balance sheet remains healthy amidst the pandemic and is able to support its financial and operational requirements.
 - Cash and cash equivalents stood at ₱18.5 billion as of end September 2020.
 - Total borrowings ended at ₱210.2 billion and stockholder's equity stood at ₱257.0 billion.
 - Current ratio stood at 1.54.
 - Debt-to-equity ratio tallied at 0.82.
 - Net debt-to-equity ratio reached 0.75 from 0.87 in the first half of 2020.
- In October, Ayala Land's AREIT, Inc. announced that it will acquire The 30th, a commercial hub located in Pasig City. The 30th is fully occupied predominantly by BPO companies and has an amenity retail podium, which will be operated and leased by Ayala Land from AREIT. The acquisition will increase AREIT's portfolio of assets from 170,000 to 246,000 square meters of gross leasable area.

Water

- Manila Water's net income in the first nine months decreased 29 percent to ₱3.1 billion as a compounded effect of lower earnings from non-East Zone businesses and higher depreciation and interest expense.

- The parent company, which houses the East Zone Concession, saw net profits decline nine percent to ₱3.4 billion driven by the recognition of impairment loss in MWTS and higher direct costs with more water supply coming from the Cardona Treatment Plant and deep wells.
- Revenues were flat at ₱16.1 billion as improved billed volume in the East Zone was dragged by lower contributions from onshore and offshore subsidiaries.
- EBITDA decreased four percent to ₱9.4 billion despite OPEX improvement as lower equity share in net income of associates, net foreign exchange losses, and provisions for probable losses weighed down on profitability. EBITDA margin stood at 58 percent.
- In line with Manila Water's commitment to address environmental concerns while providing a reliable and sustainable water supply, the company initiated the following projects during the period:
 - The company partnered with DENR and several local government units for the rehabilitation of the San Juan River and its tributaries.
 - In an agreement with DENR, Manila Water will be upgrading and expanding the sewerage network of the East Avenue Sewage Treatment Plant in Quezon City.
 - Manila Water will be constructing the Hinulugang Taktak Sewage Treatment Plant in Antipolo City in an effort to rehabilitate the Hinulugang Taktak Falls and ensure that wastewater discharged is properly cleansed.

Power

- AC Energy posted a net income of ₱5.6 billion in the first nine months of the year, a decline from the ₱24.3 billion in the same period last year, which included gains from its partial divestment in AA Thermal.
 - Earnings was supported by additional operating capacity in Vietnam, higher profits from commercial operations, and improved thermal availability including pre-operating revenues from GN Power Kauswagan. Gains from the sale of investments in Infigen also contributed to earnings in the period.
- AC Energy currently operates in four markets with consolidated attributable capacity of 2,600 MW including assets in operation and under construction. This includes 1,000 MW under listed platform AC Energy Philippines on a 100 percent basis.
 - AC Energy has 65 percent of its attributable capacity onshore, 21 percent in Vietnam, and seven percent each in Indonesia and India.
 - Onshore, AC Energy has 1,700 MW of attributable capacity from thermal and renewable sources: 1,000 MW under AC Energy Philippines and 700 MW from legacy assets directly under AC Energy, Inc.
 - Offshore, it continues to expand its regional portfolio with 900 MW of attributable renewable capacity:
 - The first phase of the Mui Ne wind farm in Vietnam started operations this quarter, adding 40 MW of operating capacity to the portfolio.
 - AC Energy recently broke ground on the landmark 210 MW Quang Binh wind farm that is expected to be the largest wind farm in Vietnam.
 - The company also started construction of the 140 MW Sitara solar project in Rajasthan, and the 70 MW Paryapt solar project in Gujarat, marking its first investments in India.
 - 62 percent of AC Energy's attributable capacity comes from operational assets while the balance of 38 percent reflects those from assets under construction.
 - Renewables make up 52 percent of its portfolio while the remainder is largely composed of legacy thermal assets, which the company plans to completely divest by 2030.
- On November 10, 2020 the board AC Energy, Inc. approved the proposed investment of GIC through its affiliate, Arran Investment Pte Ltd, into AC Energy Philippines. The ₱20 billion investment, which will translate to a 17.5 percent stake in ACEN, will be implemented through a combination of subscription to 4 billion primary shares in ACEN to be done via a private placement and purchase of secondary shares from AC Energy.
 - Both transactions will be priced at ₱2.97 per share on a post-stock rights offering basis and is subject to agreed price adjustments.

- The completion of the subscription of primary shares is subject to definitive documentation being signed by the parties and satisfaction of agreed conditions precedent, which includes among others, the completion by ACEN of the SRO, which is expected to occur in the first quarter of 2021, and applicable regulatory approvals.
- On the other hand, the completion the purchase of secondary shares from AC Energy is subject to definitive documentation being signed by the parties and the completion of the infusion by AC Energy of its international business into ACEN by way of a property for shares swap, which is expected to occur by the third quarter of 2021, and applicable regulatory approvals.

Industrial Technologies

- AC Industrials recorded a net loss of ₱2.1 billion in the first nine months as its global manufacturing arm started to gradually recover on the back of renewed demand and normalized operations. Its Philippine automotive business was still challenged as the industry continues to be negatively affected by the health crisis.
- IMI registered a net loss of US\$11.9 million in the first nine months compared to the US\$0.5 million net income it booked in the same period last year on lower demand across its product lines, except Medical and Telecom, and restricted plant operations.
 - Revenues decreased by 16 percent to US\$789 million in the first nine months albeit trending up from the height of quarantine restrictions in the second quarter when plant operations and demand were at their weakest. Topline increased 42 percent to US\$312 million on a quarter-on-quarter basis.
 - Gross profit margin likewise contracted by 80 basis points to 7.7 percent in the first nine months due to the effects of the pandemic. Quarter-on-quarter, it grew by 470 basis points to 9.7 percent.
- The combined revenues of IMI's subsidiaries Via Optronics and STI decreased by one percent to US\$183.3 million in the first nine months of the year. The subsidiaries saw demand from segments that establish support for the new normal: consumer mobile devices for study-from-home and work-from-home arrangements, along with ventilators and other medical products.
- Via Optronics raised US\$93.76 million in gross proceeds from its initial public offering of 6.3 million American Depositary Shares priced at US\$15.00 per ADS. Via ADS are listed in the New York Stock Exchange under the ticker symbol "VIAO".
- AC Motors incurred a net loss of ₱770 million as demand in the local automotive space softened as an effect of the health crisis.

Share in Net Profits of Associates and JV

- Share in net profits of associates and joint ventures declined 16 percent to ₱14.2 billion due to BPI's aggressive loan loss provisions, which was partially offset by higher net interest income and other fees. This was likewise driven by Globe's lower mobile revenues and higher depreciation partially offset by an increase in home broadband demand.

Banking

- BPI's net income declined 22 percent to ₱17.2 billion in the first nine months of year due to the ₱21.1 billion in loan loss provisions it booked in anticipation of an increase in non-performing loans. The provision is 4.6x higher than the ₱4.6 billion allocated in the same period last year.
- Total revenues increased 10 percent to ₱77.9 billion because of net interest income and non-interest income growth.
 - Net interest income was up 12 percent to ₱54.4 billion on the back of a 5.7 percent expansion in average asset base supported by an 18-basis point improvement in net interest margin, which stood at 3.51 percent.
 - Non-interest income rose 5 percent to ₱23.5 billion primarily from robust securities trading gains.

- Total loans were up about one percent to ₱1.38 trillion, led by the mortgage and corporate loan segments, which increased 8.7 percent and 2.6 percent, respectively. Microfinance loans also grew 22.1 percent.
- Total deposits rose four percent to ₱1.68 trillion with CASA deposits growing 15 percent.
 - CASA ratio stood at 76.2 percent.
 - Loan-to-deposit ratio ended at 82.1 percent.
- NPL ratio and NPL coverage ratio stood at 2.98 percent and 100.4 percent, respectively.
- Operating expenses decreased two percent to ₱36.5 billion because of lower premises, technology, and various discretionary costs.
 - Cost-to-income ratio stood at 46.8 percent, 540 basis points lower year on year.
- Total assets grew four percent to ₱2.20 trillion. Total equity amounted to ₱283.4 billion.
 - Indicative common equity tier 1 ratio stood at 15.46 percent.
 - Indicative capital adequacy ratio stood at 16.35 percent.
 - Return on assets was 1.05 percent.
 - Return on equity was 8.32 percent.
- BPI's early investments to bolster its digital infrastructure starting 2017 was underscored by the surge in demand for remote banking amid the global health crisis.
 - The bank's online platform registered a 15 percent growth since the start of the year in terms of enrollments, reaching 4.3 million as of September.
 - Moreover, more of its existing client base has shifted from physical transactions to banking digitally as its active users surged 32 percent to 2.5 million in the same period.
- In contrast, over-the-counter branch transactions comprised only 13 percent of total transactions in September from 20 percent at the start of the year, highlighting the shift in consumers' banking behavior.

Telco

- Globe's net income was down 10 percent to ₱15.9 billion in the first nine months of the year due to higher depreciation from continued network investments. On the other hand, its core net income, which excludes the impact of non-recurring charges and foreign exchange and mark-to-market changes, declined 13 percent to ₱15.6 billion.
- Total service revenues dipped one percent to ₱109.1 billion on softness in the mobile segment as a result of quarantine restrictions. Total data revenues accounted for 75 percent of Globe's service revenues compared to the year-ago level of 70 percent.
- Growth in demand for data was evident in the upward momentum of Globe's mobile and home categories despite the softening in corporate due to the prevailing work-from-home setup.
 - Mobile data revenues increased two percent to ₱53.4 billion.
 - Mobile data traffic jumped 47 percent to 1,762 petabytes.
 - Home broadband revenues surged 22 percent to ₱19.5 billion.
 - Home broadband subscriber base increased 82 percent to 3.4 million subscribers.
 - Corporate data revenue declined by three percent to ₱9.3 billion.
- Operating expenses including subsidies were flat at ₱52.8 billion.
- Despite a three percent decline in EBITDA to ₱56.3 billion as a result of slightly lower revenues. Despite this, EBITDA margin was unchanged on a year-on-year basis at 52 percent.
- GCash maintained its status as the country's number one finance app with top use cases being P2P transfers, load purchases, and bank transfers. It has reached record highs amidst the pandemic, serving more than 26 million customers and partnering with around 400,000 social merchants in the P2P network. Additionally, it has seen 3.5x more registration since the start of ECQ with annual gross

transaction value tracking at ₱1 trillion. GCash also served as an important money transfer channel as it aided the national government's Social Amelioration Program by providing a means to distribute financial assistance totaling ₱16 billion to 2 million Filipinos.

- On track to meet its full year guidance of ₱50.3 billion, Globe's CAPEX spend grew four percent to ₱33.4 billion, representing 31 percent of gross service revenues and 59 percent of EBITDA. Bulk of the spending went towards data-related requirements, which comprised 81 percent of total for the period.
- Globe has laid out a three-part strategy that includes aggressive cell site builds, upgrade of all its sites to have 4G/LTE, and fast-tracking of fiber rollout to Filipino homes nationwide. As of September, Globe has exceeded its cell site upgrades by 26 percent to 7,780 towers upgraded compared to the same period last year. The cell sites have been made 4G/LTE capable to give customers faster connectivity and better mobile experience. Likewise, Globe is continuously accelerating its 5G deployment, now offering the next wave technology in 11 cities within Metro Manila.

Cost and Expenses

- Cost of sales and services declined 30 percent to ₱98.7 billion, which was aligned with the decline in revenues.
- General and administrative expenses rose one percent to ₱21.7 billion mainly because of higher provisions for impairments from MWC and BHL as well as the impact of newly consolidated subsidiaries under AC Energy and AC Health. This was partially offset by lower operating expenses from the costs incurred by AC Energy on its value realization projects as well as reversal of some impairment provisions under parent. Normalized decline in general and administrative expenses without the newly consolidated subsidiaries and impairment would be at nine percent.

Balance Sheet Highlights

- Total assets rose four percent to ₱1.40 trillion from end-2019 level. Cash and cash equivalents and short-term investments decreased 12 percent due to lower collections of subsidiaries, AC's and ALL's share buy-back programs, and infusions to businesses and new investments such as the Yoma group and assets under AC Energy. These were partially offset by dividends to AC as well as loan availments of AC and its investees.
- Total debt increased seven percent to ₱432.2 billion due to borrowings of Ayala Land for capital expenditures, buy-back of shares, and dividend payments, borrowings of AC Energy and AC Infra for operational expansion, and borrowings of parent for its investment in the Yoma group. These were partially offset by the loan repayments of Ayala Land and IMI.
- Parent level cash stood at ₱16.6 billion.
- Net debt stood at ₱104.0 billion.
- Parent net debt-to-equity ratio stood at 79 percent.
- Group net debt-to-equity stood at 63 percent.
- Loan-to-value ratio, the ratio of its parent net debt (excluding the fixed-for-life perpetuals which have no maturity) to the total value of its assets, was at 11.5 percent.
- Parent-only CAPEX stood at ₱9.2 billion, which went mostly to the newer businesses of Ayala.

Key Performance indicators:

The Group maintains healthy financial ratios driven by strong operating performance of major subsidiaries and investees.

The key performance indicators (consolidated figures) that the Group monitors are the following:

Ratio	Formula	September 2020 (Unaudited) <i>(In thousands)</i>	December 2019 (Audited) / September 2019 (Unaudited)	September 2020 (Unaudited)	December 2019 (Audited) / September 2019 (Unaudited)
Liquidity Analysis Ratios					
Liquidity Ratio*	Cash & Cash equivalents + Short-term investments	94,184,351	106,793,054	0.22	0.27
	Current Liabilities	422,984,799	402,656,865		
	Cash & Cash equivalents	92,556,744	93,405,253		
	Short-term investments	1,627,607	13,387,801		
	Total	94,184,351	106,793,054		
Current Ratio*	Current Assets	655,009,250	609,285,431	1.55	1.51
	Current Liabilities	422,984,799	402,656,865		
Quick Ratio*	Current Assets - Inventories - Prepayments	493,052,095	458,847,006	1.17	1.14
	Current Liabilities	422,984,799	402,656,865		
	Current assets	655,009,250	609,285,431		
	Inventories	(143,891,753)	(135,064,303)		
	Prepayments	(18,065,402)	(15,374,122)		
Quick assets	493,052,095	458,847,006			
Solvency Ratio*	Total Assets	1,404,037,284	1,345,285,958	1.61	1.61
	Total Liabilities	869,750,716	835,972,400		
Financial Leverage Ratios					
Assets- to-Equity Ratio*	Total Assets	1,404,037,284	1,345,285,958	2.63	2.64
	Total Stockholders' Equity	534,286,568	509,313,558		
Interest Rate Coverage Ratio**	Earnings Before Interest and Taxes (EBIT)	39,840,037	85,530,512	1.95	5.23
	Interest and other financing charges	20,397,039	16,345,509		
	Income after income tax from continuing operations	15,348,435	59,489,943		
	Provision for income tax	4,094,563	9,695,060		
	Interest and other financing charges	20,397,039	16,345,509		
EBIT	39,840,037	85,530,512			
Debt Ratio*	Short-term debt + Long-term debt	432,151,168	405,338,157	0.31	0.30
	Total Assets	1,404,037,284	1,345,285,958		
	Short-term debt	51,212,788	29,788,643		
	Long-term debt (current & noncurrent)	380,938,380	375,549,514		
	Total debt	432,151,168	405,338,157		

Debt-to-Equity Ratio*	Short-term debt + Long-term debt Total Stockholders' Equity	- 432,151,168 534,286,568	405,338,157 509,313,558	0.81	0.80
Profitability Ratios					
Gross Profit Margin**	Sale of goods & rendering of services - Cost of sales & services	34,443,817	50,305,245	0.26	0.26
	Sale of goods & rendering of services	133,147,417	191,477,705		
	Sale of goods & rendering of services	133,147,417	191,477,705		
	Cost of sales & services	(98,703,600)	(141,172,460)		
	Gross profit	34,443,817	50,305,245		
Net Profit Margin**	Net Profit	12,774,668	28,891,146	0.10	0.15
	Sale of goods & rendering of services	133,147,417	191,477,705		
	Gross profit	34,443,817	50,305,245		
	General and administrative expenses	(21,669,149)	(21,414,099)		
	Net Profit	12,774,668	28,891,146		
Return on Equity**	Net Income to Owners of the Parent Total Stockholders' Equity	11,367,534 534,286,568	46,162,417 545,563,932	2.1%	8.5%
Return on Common Equity***	Net Income to Owners of the Parent (Common)	10,419,831	45,196,808	3.4%	15.4%
	Common Equity Attributable to Owners of the Parent (Average)	307,898,630	293,589,981		
	Net income to owners of the Parent	11,367,534	46,162,417		
	Less: Dividends on preferred stock	(947,704)	(965,609)		
	NIAT to Common	10,419,831	45,196,808		
		September 2020 (Unaudited)	December 2019 (Audited)		
	Equity attributable to owners of the parent	336,784,360	328,807,265		
	Preferred shares	(24,896,722)	(24,897,642)		
	Common equity attributable to owners of the Parent	311,887,638	303,909,623		
	Average common equity attributable to owners of the Parent	307,898,630			
		September 2019 (Unaudited)	December 2018 (Audited)		
	Equity attributable to owners of the parent	343,586,760	290,607,469		
	Preferred shares	(23,496,556)	(23,517,712)		
	Common equity attributable to owners of the Parent	320,090,204	267,089,757		
	Average common equity attributable to owners of the Parent	293,589,981			
Return on Assets**	Net Income Total Assets	17,268,934 1,404,037,284	63,617,697 1,294,537,942	1.2%	4.9%
Price/Earnings Ratio**	Price Per Share	689.00	884.50	41.44	12.31
	Earnings Per Common Share (Basic)	16.63	71.86		

* Based on "As at" September 30, 2020 (Unaudited) and December 31, 2019 (Audited) balances.

** Includes both "As at" and "Period ended" September 30, 2020 and 2019 (both unaudited) balances.

*** Includes both "As at" and "Period ended" September 30, 2020 and 2019 (both unaudited) and December 31, 2019 and 2018 (both audited) balances.

- 2.1 Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of June 30, 2020.

- 2.2 Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation:

None

- 2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

None

- 2.4 Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

For 2020, the Ayala Group has programmed ₱275 billion in capital expenditures (capex), of which ₱20.8 billion has been earmarked under the Parent company to support the emerging businesses in its portfolio. Parent-only capex stood at ₱9.2 billion as of the nine-month period ended September 2020, which went mostly to the newer businesses of Ayala. The health and economic crisis caused by Covid19 and ECQ resulted in key business units revisiting their capex outlay for the rest of the year. ALI estimates its full year capex reduced to ₱69.8 billion from originally planned ₱110 billion, taking into consideration the current operating environment. Of the total amount, ₱45.3 billion has been disbursed as of September 30, 2020. ALI will use the capital expenditure for the construction completion of launched residential projects and investment properties as well as land acquisition. Globe's total cash capex of end-September 2020 posted ₱33.4 billion, 4% higher than same period last year. About 81% of the total capex was spent on data network, as Globe continues to focus on ensuring the availability of quality internet services for customers nationwide, as connectivity is crucial at this time with the COVID-19 crisis. IMI, for the nine months of 2020, spent \$11.9M of capex related to new programs and maintenance capex. MWC ended the first nine months of 2020 with total capital expenditures of ₱7,228 million, with ₱5,742 million or 79% of said amount accounted for by the East Zone Concession. Majority of the East Zone Concession's capital expenditures were spent on wastewater expansion, network reliability and water supply projects in line with attaining service obligations outlined in its government-approved Rate Rebasing service improvement plan and the balance was accounted for by concession fees paid to MWSS. (Refer to Section – 2 MDA portion for details).

- 2.5 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Parent Company's and its subsidiaries' performance will continue to hinge on the overall economic performance of the Philippines and other countries where its subsidiaries operate. Key economic indicators, interest rate and foreign exchange rate movements will continue to impact the performance of the real estate, banking, telecom, water infrastructure, power generation, electronics manufacturing and automotive groups, including the Parent Company.

AC Group shall continue to align our key strategies and adjust our business models to be able to adapt to changing consumption patterns, consumer behaviors, business and regulatory environment as

quickly as possible in order to remain relevant, manage execution and expansion risks and to preserve value in the midst of this pandemic.

2.6 Any significant elements of income or loss that did not arise from the registrant's continuing operations

None

2.7 There were no material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

None

2.8 Causes for any material variances
(Increase or decrease of 5% or more in the financial statements)

Balance Sheet Items

As at September 30, 2020 (Unaudited) vs. December 31, 2019 (Audited)

A. The September 30, 2020 (unaudited) and December 31, 2019 (audited) consolidated financial statements show MWCI accounts reclassified as assets/ liabilities and operations under PFRS/ IFRS 5 in the Balance Sheet and Income Statement, respectively arising from MWCI and Prime Metroline Holdings signing of a subscription agreement in February 2020. Also, the balance sheet accounts of GNPK from AC Energy group were similarly classified as assets and liabilities under PFRS/ IFRS 5. Further discussions are in Note 20 of this SEC17Q report and in Notes 2 and 25 of the Group's 2019 audited consolidated financial statements.

(Amounts in Millions)		September 2020				December 2019	Inc (Dec)
	Pre-PFRS	PFRS 5 MWC	PFRS 5 GNPK	Unaudited	Audited	September 2020 vs. December 2019	
ASSETS							
Cash, cash equivalents and short-term investments	P 129,801	P (31,489)	P (4,128)	P 94,184	P 106,793	P (12,609)	-12%
Accounts and notes receivable	148,101	(4,106)	(1,476)	142,519	130,869	11,650	9%
Inventories	144,212	(320)	-	143,892	135,064	8,827	7%
Other current assets	84,025	(1,670)	(4,969)	77,386	62,933	14,453	23%
Assets under PFRS 5	434	135,278	58,348	194,060	170,467	23,594	14%
Noncurrent accounts and notes receivable	52,835	(50)	(43)	52,742	55,720	(2,978)	-5%
Investments in associates and joint ventures	268,421	(8,069)	-	260,351	246,731	13,620	6%
Investment properties	241,629	-	-	241,629	246,732	(5,104)	-2%
Property, plant and equipment	142,337	(3,168)	(47,452)	91,716	88,782	2,935	3%
Service concession assets	81,560	(79,998)	-	1,562	1,639	(76)	-5%
Intangibles, ROU assets, contract assets & deferred t	57,990	(3,264)	(268)	54,458	52,252	2,206	4%
Other noncurrent assets	52,692	(3,144)	(11)	49,537	47,304	2,234	5%
Total Assets	P 1,404,037	P -	P (0)	P 1,404,037	P 1,345,286	P 58,751	4%
LIABILITIES AND EQUITY							
Liabilities							
Short-term debt	P 54,666	P (898)	P (2,556)	P 51,213	P 29,789	P 21,424	72%
Accounts payable and accrued expenses	191,858	(8,630)	(2,777)	180,451	195,416	(14,965)	-8%
Other current liabilities	22,298	(579)	-	21,720	30,792	(9,072)	-29%
Liabilities under PFRS 5	115	102,782	37,407	140,304	121,488	18,816	15%
Long-term debt	491,805	(78,804)	(32,063)	380,938	375,550	5,389	1%
Service concession obligation	9,239	(9,173)	-	66	66	0	0%
Lease, deferred tax and pension liabilities	38,117	(1,631)	-	36,486	34,173	2,313	7%
Other liabilities	61,652	(3,068)	(11)	58,573	48,700	9,874	20%
Total Liabilities	869,751	0	0	869,751	835,972	33,778	4%
Equity							
Equity attributable to owners of the parent company	336,784	1,548	-	338,333	330,275	8,058	2%
Reserves under PFRS 5	-	(1,548)	-	(1,548)	(1,467)	(81)	-6%
Non-controlling interests	197,502	-	-	197,502	180,506	16,996	9%
Total Equity	534,287	(0)	-	534,287	509,314	24,973	5%
Total Liabilities and Equity	P 1,404,037	P 0	P 0	P 1,404,037	P 1,345,286	P 58,751	4%

B. The Covid19 impacted the health and economy globally, consequently, affected the operations of the Group: from lockdown in February 2020 in certain areas of China (where the Group operates) to World Health Organization's declaring this as pandemic in March 11, 2020. The period of until

July 2020 saw harsher impact of this Covid19 pandemic in the Philippines: from state of health emergency in March 8, declaring mega Metro Manila (MM) under enhanced community quarantine (ECQ) in March 15, to implementation of wider coverage of ECQ in other parts of Luzon and certain areas of Visayas and Mindanao and also declaring the country under state of calamity in March 17. The declaration of general community quarantine (GCQ) in mega MM and other parts of the country in August 2020, allowed certain business establishments to operate and essential movements of people, which allowed certain business units in the Group to slowly commence and pick up from operations amid slowness or absence of normalcy in the general business environment. In this regard, one of the key reasons for the year-on-year variances would be the impact of this ECQ/ GCQ in the period ending September 2020. The following account balances reflected the effect in operations of this health and economic crisis:

- Cash & cash equivalents and Short-term investment – 12% decrease from combined balance of ₱106,793 million to ₱94,184 million
Decrease primarily due to lower collections of subsidiaries, buy-back of shares (AC and ALI); infusions to business units, new and additional investments (e.g. Yoma group, Sacasol, Islasol and Philwind); partly offset by dividends received by AC and its loan availments and for most subsidiaries (ALI, AYC, AC Energy) as well as proceeds of ALI on AREIT's IPO and IMI on VIA's IPO. These accounts comprise 7% and 8% and of the total assets as of September 30, 2020 and December 31, 2019, respectively
 - Accounts and notes receivable (current) – 9% increase from ₱130,869 million to ₱142,519 million
Increase attributable to ALI's and AC Energy's longer collection period due to pandemic; partly offset by IMI's lower receivables caused by lower consumer/ telecom business lines from China sales and collections of Philippine accounts. This account is at 10% of the total assets as of September 30, 2020 and December 31, 2019.
 - Inventories – 7% increase from ₱135,064 million to ₱143,892 million
Increase attributable to ALI's higher real estate inventories due to incremental percentage of completion (POC) due to lower sales amid pandemic, plus recovery of backlogs from IMI group. This account is at 10% of the total assets as of September 30, 2020 and December 31, 2019.
 - Accounts and notes receivable (noncurrent) – 5% decrease from ₱55,720 million to ₱52,742 million
Decrease resulting mainly from ALI's lower revenues and sale of receivables and AC Energy's reclassification of accounts to investment in FVOCI. This account is at 4% of the total assets as of September 30, 2020 and December 31, 2019.
 - Accounts payable & accrued expenses, Contract liabilities and Other current liabilities – 10% decrease from ₱224,063 million to ₱201,167 million
Decrease mainly due to restricted operations in the current year plus settlement of outstanding suppliers' and contractors' accounts, lower customer deposits and AC's dividend payment. These were partly offset by impact of consolidation of Islasol and Sacasol entities under AC Energy. These accounts comprise at 23% and 27% of the total liabilities as of September 30, 2020 and December 31, 2019, respectively.
 - Income tax payable – 51% decrease from ₱2,397 million to ₱1,181 million
Decrease mainly from ALI group due to its lower taxable income. This account is at below 1% of the total liabilities as of September 30, 2020 and December 31, 2019.
- C. Another key transaction that affected the Group's consolidated balance sheet is AC Energy Group's consolidation of Islasol and Sacasol (see Note 3). This resulted in higher asset accounts such as property plant and equipment, ROU asset and intangibles (goodwill).

The movements for other balance sheet accounts are explained as follows:

Other current assets (including contract assets) – 22% increase from ₱66,093 million to ₱80,354 million
Increase mainly coming from ALI's higher existing project advances, CWT and prepayments and BHL's infusion to FMI/ Yoma group. This account is at 6% and 5% of the total assets as of September 30, 2020 and December 31, 2019, respectively.

Assets under PFRS 5 – 14% increase from ₱170,467 million to ₱194,060 million

Increase due to MWC's higher cash and cash equivalents and short-term investments coming from proceeds of loan availments, higher receivables resulting from credit extension of customer payment amid pandemic and to increase of service concession assets due to construction of additional facilities and concession fees. This account is at 14% and 13% of the total assets as of September 30, 2020 and December 31, 2019, respectively.

Investments in associates and joint ventures (AJVs) – 6% increase from ₱246,731 million to ₱260,351 million

The increase coming from equity earnings, OCI share net of dividends from BPI, LHI, Globe and AC Energy, net of provisions for certain investees; additional investments of ALI, AC Energy and AC Infra. This account is at 19% and 18% of the total assets as of September 30, 2020 and December 31, 2019, respectively.

Service concession assets – 5% decrease from ₱1,639 million to ₱1,562 million

Decrease attributable to AC's depreciation of service concession assets. This account is at below 1% of the total assets as of September 30, 2020 and December 31, 2019.

Intangible assets – 14% increase from ₱16,626 million to ₱19,005 million

Increase due to provisional goodwill on acquisitions of AC Energy (Sacasol and Islasol) and AC Health (Healthway). This account is at 1% of the total assets as of September 30, 2020 and December 31, 2019.

Other noncurrent assets – 5% increase from ₱47,304 million to ₱49,537 million

Increase pertains to AC Energy's additional investments in FVOCI partly offset by decrease in ALI mainly from recoupment of advances to contractors and suppliers, reclassification of advances to inventory account, and other noncurrent to current assets. The account also includes the Group's pension asset amounting to ₱54 million and ₱81 million in September 30, 2020 (unaudited) and December 31, 2019 (audited), respectively.¹ This account is at 4% of the total assets as of September 30, 2020 and December 31, 2019.

Short-term debt – 72% increase from ₱29,789 million to ₱51,213 million

Increase mainly due to borrowings of ALI to fund capital expenditures, buy-back of shares and dividends payment, borrowings of AC Energy, AC Infra for operational expansion and IMI for payment of long-term debt. This account is at 6% and 4% of the total liabilities as of September 30, 2020 and December 31, 2019, respectively.

Long-term debt (current) – 16% increase from ₱23,879 million to ₱27,713 million

Increase mainly due to borrowings of AYC to fund investment in Yoma group; partly offset by ALI's and IMI's loan repayments. This account is at 3% of the total liabilities as of September 30, 2020 and December 31, 2019.

Lease liabilities (current) – 36% increase from ₱1,028 million to ₱1,394 million

Increase mainly coming from ALI, IMI, AC Energy and ACI groups. This account is at below 1% of the total liabilities as of September 30, 2020 and December 31, 2019, respectively.

Liabilities under PFRS 5 – 15% increase from ₱121,488 million to ₱140,304 million

Increase due to MWC's bonds offer and loan availments from banks to finance certain capital expenditures. This account is at 16% and 15% of the total liabilities as of September 30, 2020 and December 31, 2019, respectively.

Deferred tax liabilities (net) – 11% increase from ₱8,036 million to ₱8,928 million

Increase mainly coming from ALI group. This account is at 1% of the total liabilities as of September 30, 2020 and December 31, 2019.

Pension liabilities¹ – 8% increase from ₱3,756 million to ₱4,045 million

¹ The Parent Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Parent Company, governed by a board of trustees appointed under a Trust Agreement between the Parent Company and the initial trustees. It holds common and preferred shares of the Parent Company in its portfolio. All such

Increase attributable to ALI and AC Energy partly offset by decrease in AC accounts. This account is below 1% of the total liabilities as of September 30, 2020 and December 31, 2019.

Other noncurrent liabilities – 21% increase from ₱48,447 million to ₱58,396 million

Increase attributable to ALI's higher deferred revenues on residential units and customers deposits. This account is at 7% and 6% of the total liabilities as of September 30, 2020 and December 31, 2019, respectively.

Share-based payments – 8% decrease from ₱215 million to ₱197 million

Decrease coming from issuance on the exercise of stock ownership plans. This account is below 1% of the total equity as of September 30, 2020 and December 31, 2019.

Remeasurement losses on defined benefit plan – 5% increase from negative ₱3,117 million to negative ₱3,266 million

Increase attributable to actuarial loss on pension liabilities as result of remeasurement adjustments for prior year actuarial reports. This account is at below 1% of the total equity as of September 30, 2020 and December 31, 2019.

Fair value reserve of financial assets at FVOCI – 1.2x decrease from positive ₱67 million to negative ₱768 million

Decrease mainly due to AC Energy's reclassification of Sacasol and Islasol investments to subsidiary, partly offset by higher fair market value of securities held by BPI group. This account is at below 1% of the total equity as of September 30, 2020 and December 31, 2019.

Cumulative translation adjustments (CTA) – 134% decrease from positive ₱3,235 million to negative ₱1,085 million

Decrease due to forex translation (movement in forex for PhP vs. USD) of higher foreign-denominated net asset accounts of AC Energy, ACI, ALI, IMI, AYC and BHL and forex translation of foreign assets held by Globe and BPI. Forex of PhP vs USD amounted to ₱48.495 in September 2020 vs. ₱50.635 in December 2019. This account is at below 1% of the total equity as of September 30, 2020 and December 31, 2019.

Equity reserve – 20% increase from ₱25,283 million to ₱30,274 million

Increase coming from IPO transactions of ALI and IMI. This account is at 6% and 5% of the total equity as of September 30, 2020 and December 31, 2019, respectively.

Treasury stock – 15% increase from ₱5,738 million to ₱6,605 million

Increase due to AC parent's buy-back of common shares (see Note 17). This account is 1% of the total equity as of September 30, 2020 and December 31, 2019.

Income Statement items

For the Periods Ended September 30, 2020 (Unaudited) and September 30, 2019 (Unaudited-Restated)

- A. The accounts of MWCI are reclassified as operations under PFRS 5 in the Group's consolidated income statement for the period of September 2020 and 2019 (both unaudited) as follows:

shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee include the Parent Company's Chief Finance Officer, Group Head of Corporate Governance, General Counsel, Corporate Secretary and Compliance Officer, Head for Strategic Human Resources, Treasurer and Comptroller. ACEWRF has not exercised voting rights over any shares of the Parent Company that it owns.

(Amounts in Millions)	For the Periods Ended September 30, 2020			For the Periods Ended September 30, 2019 (As Restated)			Inc (Dec)	
	Pre-PFRS	PFRS 5 MWC	Unaudited	Pre-PFRS	PFRS 5 MWC	Unaudited		
CONTINUING OPERATIONS								
REVENUE (Note 19)								
Sale of goods and rendering of services*	₱ 148,373	₱ (15,225)	₱ 133,147	₱ 206,551	₱ (15,073)	₱ 191,478	₱ (58,330)	-30%
Share in net profits of associates and joint ventures	14,287	(93)	14,195	17,358	(552)	16,806	(2,611)	-16%
Interest income	6,361	-	6,361	6,288	-	6,288	73	1%
Dividend income	61	-	61	85	-	85	(24)	-28%
	169,082	(15,318)	153,764	230,281	(15,625)	214,656	(60,892)	-28%
COSTS AND EXPENSES								
Costs of sales and services	103,840	(5,137)	98,704	147,011	(5,838)	141,172	(42,469)	-30%
General and administrative expenses*	26,824	(5,155)	21,669	24,844	(3,430)	21,414	255	1%
	130,664	(10,291)	120,373	171,855	(9,268)	162,587	(42,214)	-26%
OTHER INCOME (CHARGES) - Net								
Other income*	10,687	(6,473)	4,214	38,661	(7,430)	31,231	(27,018)	-87%
Interest and other financing charges	(22,199)	1,802	(20,397)	(17,962)	1,616	(16,346)	(4,052)	-25%
Other charges	(6,355)	6,355	-	(6,703)	6,703	(0)	0	-
	(15,278)	1,330	(13,948)	16,597	519	17,116	(31,064)	-181%
INCOME BEFORE INCOME TAX	23,140	(3,697)	19,443	75,023	(5,838)	69,185	(49,742)	-72%
PROVISION FOR INCOME TAX								
Current	5,667	(1,801)	3,865	11,114	(1,639)	9,475	(5,610)	-59%
Deferred	205	24	229	292	(72)	220	9	4%
	5,871	(1,777)	4,095	11,406	(1,711)	9,695	(5,600)	-58%
INCOME AFTER INCOME TAX	17,269	(1,920)	15,348	63,618	(4,128)	59,490	(44,142)	-74%
OPERATIONS OF THE SEGMENT UNDER PFRS 5								
Net income (loss) after tax (NIAT)**	-	1,920	1,920	-	4,128	4,128	(2,207)	-53%
NET INCOME	₱ 17,269	₱ 0	₱ 17,269	₱ 63,618	₱ -	₱ 63,618	₱ (46,349)	-73%
Net Income Attributable to:								
Owners of the Parent Company	₱ 11,368	₱ -	₱ 11,368	₱ 46,162	₱ -	₱ 46,162	₱ (34,795)	-75%
Non-controlling interests	5,901	-	5,901	17,455	-	17,455	(11,554)	-66%
	₱ 17,269	₱ -	₱ 17,269	₱ 63,618	₱ -	₱ 63,618	₱ (46,349)	-73%

*Includes GNPK accounts as of September 30, 2020: electricity sales of ₱3,801.3 million, administrative expenses of ₱779.9 million and other income of ₱1,119 million (see Note 20).

** NIAT lower vs. the reported NIAT of MWC due to cut-off adjustments to be taken up at AC consolidated FS in October 2020. Along with other cut-off adjustments, the net effect to consolidated NIAT is less than 1%.

- B. The Covid19 pandemic has significantly affected the operating results of certain subsidiaries and investees reflected in the consolidated income statement.

For the period September 2020, Ayala Land's total revenues declined 48% to ₱63.3 billion and net income fell 73% to ₱6.4 billion due to COVID-19. as a result of lower sales bookings, lower construction completion from residential projects caused by community quarantine restrictions, limited malls operations during quarantine, and lower average hotel occupancy due to quarantine and travel bans until July 2020. Easing of these restrictions starting month of August allowed ALI to show improvements in operating results. For IMI, similar government-mandated lockdowns in certain foreign countries and voluntary suspension in other sites, impacted on lower output. Moderating these restrictions at the onset of Q3 2020 similarly allowed IMI to uplift revenues and bottomlines.

The impact of pandemic is shown in the following key income statement accounts.

- Sale of goods and rendering services – 30% decrease from ₱191,478 million to ₱133,147 million
Decrease mainly affected by ECQ/ pandemic: ALI (lower construction completion, residential segment bookings, rental waive and lower occupancy rates); and IMI's and ACI's lower revenues caused by lower customer demand and slowdown in operations. These downtrend were partly offset by partial recovery in Q3 2020 plus higher revenues due to consolidation of AC Energy's ACEN and AC Health's Generika and Healthway. As a percentage to total revenue, this account is at 87% and 89% in September 30, 2020 and 2019, respectively.

GNPK revenues from electricity sales of ₱3,801.3 million, other income of ₱1,119 million from combined mark-to-market gain on derivative instrument and liquidating damages, and administrative expenses of ₱779.9 million as of September 30, 2020 were recognized in the consolidated income statement above (see Note 20).

- Cost of sales and services – 30% decrease from ₱141,172 million to ₱98,704 million
Decrease in account is aligned with the decrease in revenues. As a percentage to total costs and expenses, this account is at 82% and 87% in September 30, 2020 and 2019, respectively.
- Share in net profits of associates and joint ventures – 16% decrease from ₱16,806 million to ₱14,195 million
Decrease coming from BPI's aggressive loan loss provisions, which was partially offset by higher net interest income and other fees; and Globe's lower mobile revenues and higher depreciation and receivable provisions partly offset by increase in home broadband demand. As a percentage to total revenue, this account is at 9% and 8% in September 30, 2020 and 2019, respectively.
- Provision for income tax (current and deferred) – 58% decrease from ₱9,695 million to ₱4,095 million
Decrease mainly due to lower net income of ALI for the period.
- Income attributable to owners of the parent – 75% decrease from ₱46,162 million to ₱11,368 million
Decrease resulting from this year's lower net income results of most of the investees particularly ALI, IMI, ACI, AC Infra, BPI and Globe as an effect of the pandemic and BHL's provision for impairment; plus impact of last year's AC Energy's gain on sale of AA Thermal and AC's gain on AC Education and iPeople merger. As a percentage to total net income, this account is at 66% and 73% in September 30, 2020 and 2019, respectively.
- Income attributable to non-controlling interests – 66% decrease from ₱17,455 million to ₱5,901 million
Decrease resulting from lower net income results of ALI and IMI as an effect of the pandemic; partly offset by AC Energy's better results. As a percentage to total net income, this account is at 34% and 27% in September 30, 2020 and 2019, respectively.

The movements for other income statement accounts are explained as follows:

Dividend and other income – 86% decrease from ₱31,316 million to ₱4,275 million

Decrease mainly from impact of last year's AC Energy's gain on sale of AA Thermal and AC's gain on AC Education and iPeople merger, and current year's fair value adjustments on BHL's investments; partly offset by current year's higher other income of AC Energy arising from investment gains, liquidated damages on delayed completion of GNPK plant and reversal of derivative losses and IMI's gain on put options. Also includes GNPK's other income accounts (see Note 20).

Interest and other financing charges – 25% increase from ₱16,346 million to ₱20,397 million

Increase coming from of ALI, AC Energy and AYCFL as a result of higher debt balance level this year as compared to last year. The Group's adoption of PFRS 16 also increased interest expense by ₱1.4 billion.

Operations of the segment under PFRS 5 – 53% decrease from ₱4,128 million to ₱1,920 million

Includes the net income after tax of MWCI less consolidation adjustments. Decrease mainly due to additional remeasurement losses, fair value adjustments of investment in AJVs and additional provisions for various exposures; partly offset by the impact of last year's bill waiver and higher billed volume this year.

As required by PFRS5/ IFRS 5, the investment in MWC, which was reclassified as asset held for sale, should be subsequently re-measured to its fair market value (FMV) and the corresponding difference against carrying value (CV) be recognized as reversal of or additional loss. In addition to the remeasurement loss taken up in December 2019, an amount of ₱1.79 billion remeasurement loss was recognized as of September 2020, which formed part of the GAE of operations of the segment under PFRS 5 in the consolidated income statement (Note 20).

2.9 Any seasonal aspects that had a material effect on the financial condition or results of operations.

Ayala Corporation being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter of every year from shopping centers due to holiday spending.

ALI's development operations are dependent on market conditions and the timing of project launches depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

MWC group does not have any significant seasonality or cyclicity in the interim operation, except for the usually higher demand during the months of April and May and in the months of November to December in the case of Globe group.

BPI, IMI and other subsidiaries of the Group do not have seasonal aspects that will have any material effect to their financials or operations.

- 3.0 Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Refer to Note 24 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements.

- 3.1 Other material events or transactions during the interim period.

Refer to Notes 3 and 10 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements.

PART II – OTHER INFORMATION

The other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 2019 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2019.

In addition, the Group has the following other major information:

1. On March 12, 2020, the Parent Company's BOD, at its regular meeting, ratified and approved the amendment of our By-Laws, Board Charter and Corporate Governance Manual (CG Manual), as endorsed by the Corporate Governance and Nomination Committee. The amendments to the By-Laws are intended for alignment with the Revised Corporation Code and good corporate governance practices.

Given that the stockholders have delegated to the BOD the authority to amend the By-Laws, the amendments to the By-Laws will become effective upon approval by the SEC. This matter will be presented to the stockholders at their annual meeting on April 24, 2020 as part of the acts of Board for ratification.

The revisions to the Board Charter include a more comprehensive enumeration of the responsibilities of the Board and the individual directors, statements pertaining to the Board diversity policy, new sections on independent directors, liability of directors, and performance assessment, discussion on the roles and responsibility of the Chairperson and an updated section of the Corporate Secretary.

The CG Manual was amended to align with the revisions in the By-Laws and Board Charter and is accessible in the Parent Company's website through the following link:

<https://ayala.com.ph/sites/default/files/AC%20Revised%20CG%20Manual%20as%20of%20March%2012%2C%202020.pdf>.

On September 22, 2020, the Parent Company's BOD, at its regular meeting, ratified and approved the additional amendments to the By-Laws (the Amendments), as endorsed by its Corporate Governance and Nomination Committee.

The Amendments are geared towards the digitalization of certain governance processes, the importance of which has been highlighted by the current circumstances. The approved substantial changes relating to: 1) sending out of notices of stockholders' meetings and other documents and information, 2) the conduct of stockholders' meetings, and 3) the payment of cash dividends.

Given that stockholders have delegated to the BOD the authority to amend the By-Laws, the Amendments will become effective upon approval by the SEC. This matter will be presented to the stockholders at their annual meeting in 2021 as part of the resolutions of the Board for ratification.

2. On April 24, 2020, at the annual meeting of the Parent Company's stockholders, the following are approved:
 - a. Approval of minutes of the annual stockholders' meeting held on April 26, 2019.
 - b. Approval of Corporation's Annual Report, which consists of the Chairman's Message, President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated audited financial statements of the Corporation and its subsidiaries as of December 31, 2019, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
 - c. Ratification of each and every act and resolution, from April 26, 2019 to April 24, 2020 (the "Period"), of the Board of Directors (the "Board") and the Executive Committee and other Board committees exercising powers delegated by the Board, and each and every act, during the Period, of the officers of the Corporation performed in accordance with the resolutions of the Board, the Executive Committee and other Board committees as well as with the By-laws of the Corporation.
 - d. Election of the following as directors to serve as such effective immediately and until their successors are elected and qualified:

Jaime Augusto Zobel de Ayala
 Fernando Zobel de Ayala
 Rizalina G. Mantaring (Independent Director)
 Delfin L. Lazaro
 Xavier P. Loinaz (Independent Director)
 Keiichi Matsunaga
 Antonio Jose U. Periquet (Independent Director)

- e. Approval of the election of SyCip, Gorres, Velayo & Co. as the external auditors of the Parent Company for the year 2020 for an audit fee of ₱6.06 million, inclusive of value-added tax.

At its organizational meeting held immediately after the stockholders' meeting, the Board of Directors considered and approved the following:

- a. Election of Chairpersons and Members of the Board Committees:

Executive Committee

Jaime Augusto Zobel de Ayala	Chairman
Fernando Zobel de Ayala	Member
Keiichi Matsunaga	Member

Audit Committee

Xavier P. Loinaz (independent director)	Chairman
Rizalina G. Mantaring (independent director)	Member
Keiichi Matsunaga	Member

Risk Management and Related Party Transactions Committee

Antonio Jose U. Periquet (independent director)	Chairman
Rizalina G. Mantaring (independent director)	Member
Keiichi Matsunaga	Member

Corporate Governance and Nomination Committee

Rizalina G. Mantaring (independent director)	Chairman
Xavier P. Loinaz (independent director)	Member
Antonio Jose U. Periquet (independent director)	Member

Personnel and Compensation Committee

Rizalina G. Mantaring (independent director)	Chairman
Delfin L. Lazaro	Member
Keiichi Matsunaga	Member

Finance Committee

Delfin L. Lazaro	Chairman
Antonio Jose U. Periquet (independent director)	Member
Jaime Augusto Zobel de Ayala	Member
Fernando Zobel de Ayala	Member

Committee of Inspectors of Proxies and Ballots

Solomon M. Hermosura	Chairman
Catherine H. Ang	Member
Josephine G. De Asis	Member

- b. Election of Mr. Xavier P. Loinaz as lead independent director.

- c. Election of Officers (excluding seconded officers):

Jaime Augusto Zobel de Ayala	- Chairman & Chief Executive Officer
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer
Jose Rene Gregory D. Almendras	- Senior Managing Director
Cezar P. Consing	- Senior Managing Director

Bernard Vincent O. Dy	- Senior Managing Director
Jose Teodoro K. Limcaoco	- Senior Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, and Finance Group Head
Arthur R. Tan	- Senior Managing Director
Alfredo I. Ayala	- Managing Director
Paolo Maximo F. Borromeo	- Managing Director & Corporate Strategy and Development Group Head
John Eric T. Francia	- Managing Director
Solomon M. Hermosura	- Managing Director, Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer, and Corporate Governance Group Head
Ruel T. Maranan	- Managing Director
John Philip S. Orbeta	- Managing Director, Chief Human Resources Officer, and Corporate Resources Group Head
Catherine H. Ang	- Executive Director and Chief Audit Executive
Estelito C. Biacora	- Executive Director and Treasurer
Josephine G. De Asis	- Executive Director and Controller
Dodjie D. Lagazo	- Assistant Corporate Secretary
Joanne M. Lim	- Assistant Corporate Secretary

- d. 2020 stock option program pursuant to the Employee Stock Ownership Plan (the Plan). The program authorizes the grant to 32 executives, in accordance with the terms of the Plan, stock options covering up to a total of 1,461,423 common shares at a subscription price of ₱470.72 per share, which is the rounded off volume-weighted average prices of our common shares at the Philippine Stock Exchange over the last 5-day trading days from March 13 to 23, 2020.

The following are the Management Committees:

a. Ayala Group of Companies Management Committee

Jaime Augusto Zobel de Ayala	- Chairman and Chief Executive Officer, Ayala Corporation
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer, Ayala Corporation
Jose Rene Gregory D. Almendras	- President and Chief Executive Officer, Manila Water Company, Inc. and Chief Executive Officer, AC Infrastructure Holdings Corporation
Alfredo I. Ayala	- Chief Operating Officer, iPeople inc.
Paolo Maximo F. Borromeo	- President and Chief Executive Officer, Ayala Healthcare Holdings, Inc. and Corporate Strategy and Development Group Head, Ayala Corporation
Cezar P. Consing	- President and Chief Executive Officer, Bank of the Philippine Islands
Ernest Lawrence L. Cu	- President and Chief Executive Officer, Globe Telecom, Inc.
Bernard Vincent O. Dy	- President and Chief Executive Officer, Ayala Land, Inc.
John Eric T. Francia	- President and Chief Executive Officer, AC Energy, Inc.
Solomon M. Hermosura	- Chief Legal Officer, Corporate Secretary, Compliance Officer, Data Protection Officer & Corporate Governance Group Head, Ayala Corporation
Jose Teodoro K. Limcaoco	- President, AC Ventures Holding Corp. and Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head, Ayala Corporation
Ruel T. Maranan	- President, Ayala Foundation, Inc.
John Philip S. Orbeta	- Chief Human Resources Officer and Corporate Resources Group Head, Ayala Corporation
Arthur R. Tan	- President and Chief Executive Officer, Integrated Micro-Electronics, Inc. and AC Industrial Technology Holdings, Inc.

b. Ayala Corporation Management Committee

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Paolo Maximo F. Borromeo
Solomon M. Hermosura
Jose Teodoro K. Limcaoco
John Philip S. Orbeta

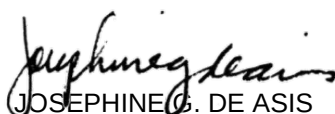
3. On October 19, 2020, Ayala Corporation has received from its lead independent director, Xavier P. Loinaz, a letter tendering his resignation from the Board of Directors due to health reasons. The resignation will be effective upon acceptance of the Board, which will act on the resignation at its next regular meeting on December 3, 2020.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **AYALA CORPORATION**

By:



JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: November 13, 2020